

FINANCIAL TIMES

Start
the week
with...



Asian Tigers

What's going
wrong?

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Queen's Awards
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World Business Newspaper <http://www.FT.com>

MONDAY APRIL 21 1997

Indian crisis ends with coalition's new leader as PM

India's political crisis ended with the appointment of I.K. Gujral as prime minister. The newly-elected leader of the United Front coalition replaces H.D. Deve Gowda, who resigned nine days ago. The new premier is a veteran diplomat whose brief term as foreign minister in the previous administration saw improvements in relations with India's neighbours. Congress party president Sitaram Kesri, whose withdrawal of political support precipitated the crisis, offered full support. Page 24

Cordiant plans demerger: Advertising group Cordiant, which includes Saatchi & Saatchi, is today expected to announce plans to float off its advertising agencies - Bates Worldwide and Saatchi & Saatchi Advertising Worldwide. Page 25 Lex, Page 24

Focus on Enron 'hits competitiveness': The competitiveness of European companies is lagging behind US and Japanese rivals partly because of pre-occupation with monetary union, a report headed by former Grand Metropolitan chairman Lord Sheppard will say. Page 6

China's president visits Russia: Chinese president Jiang Zemin arrives in Russia tomorrow for a four-day visit aimed at broadening co-operation between the two countries. Page 24

Anglo-American standardises results: Anglo-American Corporation South Africa, the world's biggest gold producer, reported annual results from its six quoted gold mining companies in accordance with International Accounting Standards, easing comparisons with rivals in Australia and North America. Page 25 Lex, Page 24

Democrats win in Bulgaria: Bulgaria's pro-market Union of Democratic Forces won a landslide general election victory over the ex-communist Bulgarian Socialist party on a platform of faster economic reform and a crackdown on organised crime. Page 2

Keen interest in compact car: Mercedes-Benz's A class compact car has attracted more than 100,000 "serious expressions of interest", six months before European sales start, the company said. Page 28

Dutch plan tax-cutting budget: The Dutch government reached outline agreement on a tax-cutting election budget for 1998, signalling its confidence in qualifying for the European single currency. Page 2

VA Technologie seeks expansion: Austrian plant engineering group VA Technologie plans to spend up to Sch85m (\$62m) on European acquisitions to expand sales by more than a third by 2000. Page 28

Russian communists call for strikes: Russia's demoralised communists called for nationwide strikes against a government which their leader, Gennady Zyuganov, said would "carry out policies murderous for Russia". Page 2

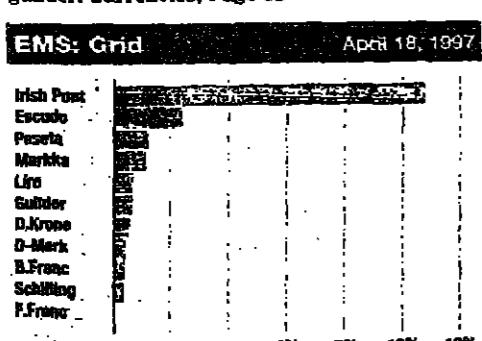
Earnings surge for Japanese stores: Japanese department stores reported a surge in annual earnings on strong demand for imported goods, but sales turned down in the second half. Page 28

Asia set for more big cities: Asia will have 20 cities with populations of more than 10m by 2025, more than double the present number, posing pollution and infrastructure problems, the Asian Development Bank said. Page 4

Lift truck output doubles in five years: Production of lift trucks in Britain this year is expected to increase by 2,000 units to 35,000, raising output to double the figure of five years ago. Page 6

Temporary migrants 'exploited': Temporary migrant workers are increasingly being used as cheap unskilled labour as immigration policies grow more restrictive, the International Labour Organisation says. Page 4

European monetary system: The EMS punt moved further ahead at the top of the EMS grid last week, strengthening to 10.83 per cent against the weakest currency, the French franc. The Italian lire took advantage of optimism over a single currency to move ahead of the Dutch guilder. Currencies, Page 33



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

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Clinton raises stakes on chemical arms treaty

By Bruce Clark
in Washington



With a deeply suspicious Republican-led Senate preparing to vote this week on an international treaty that would outlaw poison gas, President Bill Clinton has raised the stakes about as high as they can go.

As Mr Clinton tells it, both the administration's credibility at home, and US credibility in the world, will be on the line in a vote whose outcome remains uncertain.

"Will the US join a treaty we helped to shape?" the president asked rhetorically last week. He said the alternative would be "joining the company of pariah states this treaty seeks to isolate". His reference to "pariah states" was his latest reminder that the chemical weapons convention (CWC), which enters force on April 29 with or without the US, prescribes sanctions, including partial exclusion from the international chemicals trade, for states who do not join.

But avoiding this outcome will not be easy. With the Republican party and the defense establishment deeply divided over the accord, the administration will need steady nerves and shrewd tactics to get its way. Senator Tom Daschle, leader of the 45-strong Democratic minority, has described the chances of success at no better than 50-50. Assuming solid Democratic support for the treaty, Mr Clinton needs the votes of at least 22 Republicans if the treaty is to win the necessary majority of 67 of the 100 senators.

Already, he has offered an important sop to Republicans by speeding the announcement of a plan to streamline the foreign policy machine – something that Senator Jesse Helms, the ultra-conservative chairman of the Senate foreign relations committee, has long been demanding. Under the plan, the US Information Agency, and the Arms Control and Disarmament Agency would be folded into the State Department, while the US agency for international aid would remain separate but be subordinated to the secretary of state.

The plan's wide-ranging appeal reflects its unusual parentage. It was developed as part of a plan to "reorganise government" by Vice-President Al Gore – but conservatives called it a victory because it partly addresses their demand for a trimming of foreign policy fat. "This is a great vindication for Senator Helms, he's been fighting tooth and nail on this for the last two years," said Mr Marc Thiessen, an aide to the legislator. Mr Helms remains staunchly opposed to the CWC.

But the two-year reform plan also appealed to moderates. "It's a realistic plan with a phased approach, not the big bang that Helms wanted," said Mr Richard Moose, a former under-secretary of state. While all sides deny any formal linkage, the blueprint apparently helped to convince Mr Helms and other Republican leaders to



Daschle: 50-50 chance

schedule a vote on the CWC, which had been held up in his committee until last week.

Yet despite much bargaining between the administration and Senate Republicans, the treaty resolution that reaches the floor will still be lumbered with five "killer amendments" that would effectively nullify ratification.

"A vote for any of these amendments will prevent our participation in the treaty," Mr Clinton has warned. But Republicans say that if the Democrats try to strip out all five, they are doomed to failure. Arguments will focus on amendments that require the administration to renegotiate two articles in the treaty.

In critics' view, these articles could force the US to share chemical weapon technology with other signatories, including suspected proliferators such as Iran and China. Mr Clinton has described this interpretation as "totally at odds with the plain language of the treaty". He has offered a formal promise that, if "suspect" nations come under chemical attack, the US will offer humanitarian aid, but not chemical defence know-how.

As the president struggles to make his case, and Senator Trent Lott, the majority leader, struggles to limit the damage to Republican unity, the best hope of a compromise seems to lie in finding some new way to make the point that no US secrets will be shared with rogues. But the sceptics will not be easy to convince. The recent disclosure by an administration official that China is suspected of helping Iran to make chemical weapons drew triumphant guffaws from the Helms camp. "This can't possibly be true," said a mocking Mr Thiessen, noting that both states were good CWC members.

The Financial Times plans to publish a Survey on

Film Finance

on Wednesday, May 7

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FT Surveys

Mexican pension groups grab customers

Launch of private schemes brings controversy and rush for clients, writes Leslie Crawford

Private pension schemes are being launched in Mexico amid a storm of publicity and controversy.

The marketing campaign, only a few weeks old, has already degenerated into a slanging match among the 17 banks and insurance groups chasing the savings of 10m Mexicans affiliated to the state pension system, which is scheduled for extinction.

While allegations of unfair competition are thrown around like confetti, the high commissions the new pension fund companies are proposing to charge have drawn equally stiff protests from academics, consumer groups and business councils.

The stakes are high. Banks and insurance groups are investing more than \$550m this year to kick-start the pension fund business. They have recruited a sales force of 50,000 to grab potential customers on the metro, at bus stops and outside factory gates. They have also hired lots of pretty girls in mini-skirts to parade down avenues with the logo of their companies.

More than \$69m is going on advertising alone. The quest for visibility, meanwhile, has taken pension funds into soccer stadiums and charity events, which have been only too glad to accept their sponsorship.

When all else fails, critics claim, some pension fund companies are resorting to the old paternalistic

methods of doing business in Mexico: bribing trade union leaders to sign up members, or dangling the prospect of cheap credit before corporate clients to secure a favourable "recommendation" before their employees.

The strongest criticism, however, has been reserved for the high fees that will be charged to offset the start-up costs of pension management firms, known as "Afores" in Mexico. With only three exceptions, Afores are proposing to cream off between 13 and 27 per

Groups have hired lots of pretty girls in mini-skirts

cent of the monthly contributions deposited in individual retirement accounts as "administration fees".

"We are worried to see such high commissions being authorised. They will practically eat up the returns of the first years of workers' contributions," says Mr José María Garza Benavides, head of the National Chamber of Commerce in the industrial city of Monterrey. He has written to Conasur, Mexico's pensions watchdog, complaining on behalf of the chamber's 15,000 members that such high commissions are unjust.

"This is a tidy business for those who will manage retirement funds," Mr Luis Rubio, director of the Centre for Development Research, wrote recently in the Mexico City daily *Reforma*. "Now that we are being bombarded with publicity, it is pertinent to note that we are in danger of being fleeced by the new institutions, in the same way that our state pensions and contributions to the state pension fund have been plundered."

Afores argue that such high commissions are justified by the enormous cost of managing millions of small accounts which will have only a few pesos trickling in every month.

More than 80 per cent of Mexicans in formal employment earn less than three minimum wages (78 pesos, or \$10) a day, according to social security figures.

The greater challenge facing Afores, however, will be to create a savings culture in a society more inclined to broid about the past than plan for the future.

"This is a difficult product to sell," admits Mr Gerardo Serrador, marketing manager of Afore Santander. "With the economic crisis, Mexicans are more worried about how to survive until the end of the week, not about what will happen when they are 65 years old."

Banco Santander of Spain, which recently bought a small Mexican bank, has neither the name recognition nor the corporate clout of Banamex and Bancomer, Mexico's

two largest banks, which have already signed up more than 300,000 customers to their pension schemes.

Mr Serrador, however, is not disheartened. He has put 5,000 sales representatives on the street and has just signed an exclusive contract with the Mexico City Metro, giving Santander the sole rights to have stands inside the underground.

Last weekend, he draped the Azteca soccer stadium in red – Santander's trademark colour –

'We are in danger of being fleeced by new institutions'

and had 250 agents in red blazers outside waiting to catch fans as they left the game. So far, he has signed up 163,721 clients.

Mr Serrador does worry about unfair competition. He has lodged complaints against rival Afores which are offering prizes and trinkets to prospective clients. He also says he knows of one bank which offered the strong union of (highly paid) 5,000 airline pilots special discounts on loans.

The union says it has not made up its mind which Afore to recommend to its members, while Bital, the bank alleged to have made the improper offer, says that Mr Serra

dor's accusations are untrue.

Perhaps the pension fund company with the greatest built-in advantage is the state-run social security institute, which launched its own "private" Afore earlier this month. Among the first to sign on were Mr Genaro Borrego, the institute's director, and Mr Antonio Rosado, leader of the 300,000-strong union of social security workers.

"I signed up because I wanted to set the example," Mr Rosado says. "Our Afore is the only one we are recommending to our union members."

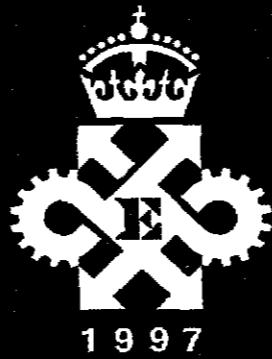
Mr Rosado says he wants to transform his union representatives into sales agents. His Afore is planning to set up shop in the country's state-run health clinics.

Not all unions, however, may prove as pliable. Mr Eduardo Torres, a leader of the 40,000-strong telecommunications union, says that after careful consideration, he will not be recommending any Afore to his members.

"We think the commissions are too high," Mr Torres says, "and we are not satisfied that our savings will be invested safely. We have decided to wait and see how the business unfolds."

Time is on his side. Under Mexico's new pensions law, workers have four years in which to choose a private retirement scheme, and Mr Torres says he plans to use this grace period to lobby for lower pension administration fees.

Record Exports, Queen's Award, British Steel.



THE QUEEN'S AWARD
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At British Steel we were pondering how best to illustrate our global business success. Should we highlight that exports increased from £1.38 billion in 1994 to £2.49 billion in 1995? Or emphasise that, in the last three years, to meet demand, we opened thirteen new international offices? Then we learnt that our success had been recognised with a Queen's Award for Export. Enough said. **British Steel. World Beaters**



NEWS: INTERNATIONAL

Future of Likud rule in small parties' hands

By Judy Dempsey
in Jerusalem

Israel's political drama continued to unfold yesterday after the small political parties in the governing Likud coalition met to decide if they would remain in power with Mr Benjamin Netanyahu, the prime minister.

"If one party pulls out of the coalition, there is likely to be an avalanche," said Mr Chaim Shalev, political analyst. Mr Netanyahu would be

left without a majority, a move which could force his hand to hold new elections and greatly damage efforts to put the peace process back on track.

For the moment, Mr Netanyahu appears to have survived the judicial process, after Mrs Edna Arbel, the state attorney, and Mr Elayakim Rubinstein, the attorney general, decided not to charge the prime minister with breach of trust.

But the damning report, highlighting the way the

decisions leading up to the short-lived appointment of Mr Roni Bar-On as attorney general were made, has left his government weaker, its credibility undermined and its ability to continue in power now resting with the small coalition partners.

"Mr Netanyahu will now try and go on the offensive," a close aide said. However, other analysts said if his coalition partners decided to remain in power, they would require big ministerial reshuffles, an end to deci-

sions made without consultation and a far greater sense of direction than has been evident in Mr Netanyahu's 11-month rule.

But even if all these concessions are extracted, the government will still remain beholden to Shas, the Ultra-Orthodox party and the centre of this scandal, which has managed to manipulate successive Israeli governments since it was founded in 1984.

One of the keys to Mr Netanyahu's political sur-

vival is the small Yisrael Bialy, the Russian immigrant party led by Mr Natan Sharansky, trade and industry minister. When the scandal broke over three months ago, Mr Sharansky said: "Should it turn out to be 10 per cent true, the government should not continue."

Last night, he and Mr Yuli Edelstein, the Yisrael Bialy minister for absorption, were locked in consultations with Mr Netanyahu.

The seven-seat party faces a dilemma. If it is the only

party to quit the government, Mr Sharansky's integrity will be intact but it would not be enough to bring down the government.

The same holds true for the Third Way party led by Mr Avigdor Kahalani, minister of internal security. He has resented the way the hard-right of Likud and Shas accused police of being politically and not judicially motivated in investigations of the alleged conspiracy. His colleague, Mr Yehuda Harel, a Third Way Knesset

member, said: "Should it become clear that very serious things were done from a public and democratic standpoint, we'll not be able to go on backing such a government and will want early elections."

The sense that the government has been more than tainted will also determine how Mr Dan Meridor, Likud finance minister, and Mrs Limor Livat, Likud communications minister, will act. Both considered resigning last week.

Migrants 'exploited by private agencies'

By Frances Williams
in Geneva

Temporary migrant workers are increasingly replacing permanent immigrants as a source of cheap unskilled labour as immigration policies grow more restrictive, the International Labour Organisation says in a new report.

The world's migrant workers - estimated to number at least 42m and probably much more - were among the most vulnerable and least protected, the ILO said. The report cited low pay, poor working conditions and increasing exploitation by private recruitment agencies including exorbitant fees and sometimes wholesale fraud.

Government employer and trade union representatives begin a five-day meeting at the ILO today to discuss ways of improving the lot of migrant workers. "Migrants are rarely if ever treated on a par with nationals, nor are they adequately covered by existing international labour standards," the ILO noted.

The trend towards use of migrant workers applied all over the world, including traditional immigration countries such as Canada, the US and Australia. Seasonal workers were widely used in Europe - for instance in France, Germany and Switzerland.

In South Korea, the number of migrant workers had nearly trebled from around 44,000 in 1992 to 136,000 last year, and numbers were also rising sharply in eastern Europe.

At the same time private recruitment agencies had come to dominate temporary migration networks, the report said. They handled up to 80 per cent of labour movements from Asia to Arab countries, one of the world's largest labour flows.

In Indonesia, the Philippines and Thailand, private agencies accounted for 60-80 per cent of all migrant workers hired.

Fees charged could be exorbitant - an average of \$1,727 for workers in Bangladesh, for example. Common abuses included demanding fees for non-existent jobs, disguising the true nature of the job (such as prostitution), and allocating jobs according to what applicants were willing to pay.

The ILO said the actual number of temporary migrants might be much higher than 42m if asylum-seekers and illegal workers were included. The largest numbers of working foreigners - 11m-13m - were in Europe, followed by about 8m in North America, 6m-7m in Africa and 6m in the Middle East.

● *"Protecting the most vulnerable of today's workers. Available from ILO Publications, CH-1211 Geneva 22, fax +41 22 783 3394."*

Night casts veil over flag squabble

Laura Tyson charts restoration of China-Taiwan ship links

A squabble over flags has marred the restoration of direct sea links between Taiwan and arch-rival China, but the momentous question may have a simple resolution - docking at night.

The first two ships to sail legally across the Taiwan Strait in nearly half a century arrived in the southern Taiwanese port of Kaohsiung at the weekend, navigating one of the world's great political divides.

The first did so nimbly, but the second nearly ran aground over a dispute whether to fly Taiwan's national flag upon entering the harbour in accordance with maritime custom.

China, which regards the island as a rebel-held Chinese province, does not recognise Taipei's sovereignty or its national flag.

The quandary forced the China-owned vessel, *Far East Glory*, to moor outside Kaohsiung port for five hours before entering at nightfall, after which vessels are not required to display flags.

But the ship's Taiwan agent, Ocean Pioneer Shipping, denied the delay was political, attributing it to the occupation of the pier by a large Korean container ship.

Both vessels legally flew the Taiwanese flag upon entering the harbour, perhaps for the sake of commerce as well as courtesy.

The China-owned, Saint Vincent-registered *Sheng Da* arrived on Saturday night after a 17-hour, 185km journey from Xiamen in the south-eastern Chinese province of Fujian on the opposite shore of the Taiwan Strait. Owned by Saint Vincent Shipping, the 6,000-tonne ship made the first authorised crossing of the heavily-militarised Taiwan Strait since 1949, when a civil war put communists in control of the Chinese mainland and the defeated Nationalists on exile on Taiwan.

The *Sheng Da* unloaded its 31 containers on what must have been a loss-making trip. The owners apparently hoped to compensate through the publicity value associated with the first

authorised sailing across the Taiwan Strait.

Under Taiwan's rules banning direct shipping links with its communist rival, the cargo could not enter Taiwan customs. It was loaded on to other vessels for onward shipment in line with Taipei's designation of the cross-strait routes as transhipment only, to be routed through Kaohsiung's "offshore transhipment centre".

Beijing had no immediate reaction to the event. Nor did the Taiwanese government. Officials of the Mainland Affairs Council, the government agency in charge of Taiwan's mainland policy, would not comment.

Deal will raise pressure on Taipei to drop direct trade ban

Taipei approved five main carriers to start cross-strait services earlier this month. Beijing reciprocated on Thursday with approvals for six Taiwan companies. The first Taiwan-owned ship was not expected to cross until April 24.

Although highly symbolic, the newly inaugurated cross-strait routes will have little economic impact. However, they will increase pressure on Taipei to abandon its ban on direct shipping, aviation, communications and trade.

Taiwanese officials say any expansion of the direct shipping experiment, which is restricted to point-to-point routes from two Chinese ports, depends on friendlier ties with Beijing.

The crossing came amid continuing uncertainty over the fate of existing routes between Taiwan and Hong Kong after July 1, when Hong Kong returns to Beijing's control.

Negotiators have yet to meet to sort out sovereignty issues, including whether Chinese-administered Hong Kong will give birth to ships flying Taiwan's flag.

Taipei maintains that Taiwan-Hong Kong links should remain untouched.

Coalition's unity a test for Gujral

By Mark Nicholson
in New Delhi

Mr Inder Kumar Gujral, India's foreign minister for the past 10 months who will be sworn in as prime minister today, has spent much of his life as a professional diplomat.

He now faces the sternest diplomatic challenge of his 77 years - keeping together the fractious United Front coalition, which after a bitter internal fight this weekend elected him as its leader.

After three raw days of internal politicking, Mr Gujral emerged on Saturday as the quintessential compromise candidate. Affable and soft-spoken, Mr Gujral has, in a political career spanning more than half a century, managed the rare feat in India of accumulating considerable political experience without also accreting political foes.

This is partly because he has no popular political base and thus, unlike most of the other candidates, had no political patron to promote or defend.

Though he has held ministerial office seven times, both as a Congress politician under Mrs Indira Gandhi in the 1970s and later as a Janata Dal party member after she ejected him from Congress, he has done so mostly as a member of India's upper house.

Before his recent stint as foreign minister, his proudest claim was to have been India's ambassador in



India's prime minister-designate Inder Kumar Gujral is greeted in New Delhi yesterday

Moscow between 1976 and 1980, when the Soviet Union was India's most vital ally.

Mr Gujral began political life in Jhelum, now in Pakistani Punjab, in the early 1940s, as a Communist and student political activist against the British Raj. His family moved to India after Partition in 1947, after which Mr Gujral began a political career which took him into Indira Gandhi's "kitchen cabinet". There he stayed until a principled stand against her draconian imposition of the "Emergency" in 1975 led to his departure from Congress to join the leftist Janata Dal.

With the JD he served between 1989 and 1990 as foreign minister, his proudest claim was to have been India's ambassador in

Iran's invasion of Kuwait. After the JD government's fall he returned largely to pursuit of his non-political loves, literature, art, music, the minutiae of Indian foreign policy and his pet golden retriever. More cultured than most Indian politicians, he will be, says Mr Shekhar Gupta, editor of the Indian Express, "India's most scholarly leader since Nehru".

Since returning to office last May as the UP's foreign minister, he has won plaudits for reinvigorating India's increasingly sterile foreign policy. Aided by changes of government in Bangladesh and Pakistan during his tenure, he helped secured a landmark water-sharing deal with the former and has begun serious rap-

prochement with the latter. Such success has been based on what has become known as the "Gujral doctrine" - Mr Gujral's belief that as the region's dominant power, India must be prepared often to offer its neighbours concessions without necessarily expecting reciprocation.

Under his rule as prime minister such pragmatism is expected to extend beyond economic policy. Though a socialist by background, and not claiming to be an ardent liberaliser, he is seen as broadly pro-reform. "He would go along with liberalisation, but underpinned by some of the old concerns: welfare, poverty and so on," says Mr N. Ram, editor of Frontline magazine.

"He's clear, clean, urbane, intelligent and thoughtful," adds Mr Ram. He is also known as an emollient good listener.

He will have to be, in not just balancing the UP's internal rivalries, more exposed today than ever, but in juggling the conflicting demands of the UP's external supporters, on one side the Congress party, whose withdrawal of political support precipitated India's three-week political crisis, and on the other India's Communist party (Marxist).

In the end, however, many analysts believe Mr Gujral may delegate much of the political management of the UP to others, notably Mr Chandrababu Naidu, the 47-year-old chief minister of Andhra Pradesh, who emerged during the past three weeks as a central powerbroker in the UP, and Mr H.D. Deve Gowda, whom Mr Gujral replaced as leader but who will remain an influential political player in the coalition.

If his government lasts, Mr Gujral's greatest ambition may instead lie in foreign policy and, in particular, in creating a real breakthrough in relations with Pakistan.

The chemistry looks propitious. Mr Gujral will become India's first prime minister born in what is now Pakistan and, if he meets Mr Nawaz Sharif, Pakistan's prime minister, at a scheduled summit next month in the Maldives, he will be sitting down for talks with a fellow Punjabi.

Hwang defected 'to prevent Korea war'

By John Burton in Seoul

Mr Hwang Jang-yop, the most senior North Korean official to defect, yesterday arrived in South Korea saying that he wanted to prevent a war by promoting reconciliation between Seoul and Pyongyang.

Mr Hwang, a top ideologue, arrived at a Seoul military base amid tight security prompted by fears of an assassination attempt by Pyongyang agents.

He arrived from the Philippines, where he had been in hiding after seeking asylum at the South Korean embassy in Beijing in February.

"I could not disobey the order of my conscience; all those I love put together cannot be traded for the life-and-death fate of the 70m

people of our race," he said in explaining why he deserted his family to a probably cruel fate. Mr Hwang, expected to be an intelligence gold mine on Pyongyang's secretive government, was taken to a "safe house" to be debriefed by South Korean intelligence.

The defector could have a significant impact on inter-Korean relations and South Korean domestic politics in a presidential election year.

South Korean opposition parties warned the government of President Kim Young-sam, which is mired in a damaging corruption scandal, not to exploit intelligence provided by Mr Hwang for political purposes, such as conducting a

witch hunt against alleged North Korean sympathisers.

Questions remain on why Mr Hwang defected, despite his public explanation. Some analysts think Mr Hwang was losing influence under North Korea's new leader, Mr Kim Jong-il.

Mr Hwang's claims that

Pyongyang is preparing to attack South Korea may strengthen Seoul hardliners, who are resisting offering food aid to a starving North Korea, which is demanding food supplies in return for joining the proposed peace talks.

South Korea has said it will not use Mr Hwang's defection to aggravate tensions with the North.

Any information provided

by Mr Hwang and released by Seoul will not be subject to independent verification, as South Korea has blocked the US Central Intelligence Agency from conducting a joint debriefing.

Opposition parties are worried about possible government manipulation of information given by Mr Hwang to support allegations that some opposition politicians had contacts with Pyongyang.

This is a particularly explosive issue as South Korea prepares to vote for a new president in December, with the governing party on the defensive over the bribes-for-loans scandal involving the collapsed Hanbo steel group.

Total of Asia's 'megacities' set to double

By Peter Montagnon, Asia Editor, in London

Asia will have 20 cities with populations of more than 10m by the year 2025, more than double the present number, posing chronic problems of pollution and inadequate infrastructure, according to the Asian Development Bank.

Amounts ranging from \$20bn to \$40bn annually will be needed over the next decade to provide services at levels sufficient to sustain productivity and achieve improvements in the quality of life, it says in a special chapter of its annual report.

At present there are nine "megacities" with more than 10m inhabitants in the region: Beijing, Bombay, Calcutta, Jakarta, Osaka, Seoul, Shanghai, Tianjin and Tokyo. These will shortly be joined by Bangkok, Dhaka, Lahore, Manila, New Delhi, Peking, and Singapore.

By 2025, even Bangkok will have qualified for inclusion, as its population will have jumped to 10m from 3.9m in 1995.

Of the others set to reach that size, five are Indian - Lahore, New Delhi, Hyderabad, Bangalore and Madras - and one, Shenyang, is in China.

The bank says the development of megacities is not all bad, despite the strains they cause. There is overwhelming evidence that they are economically more productive than other less densely

populated regions. In 1990, per capita output in Shanghai was 3.7 times China's national average.

Without better intervention, however, megacities will become even more congested, polluted, unhealthy, expensive and socially divided. A downward spiral will follow if inward investment is deterred: the megacity's comparative advantage will disappear, the tax base will diminish, with corresponding failures including flooding, groundwater deter-

ioration, and loss of high quality farmland, it warns.

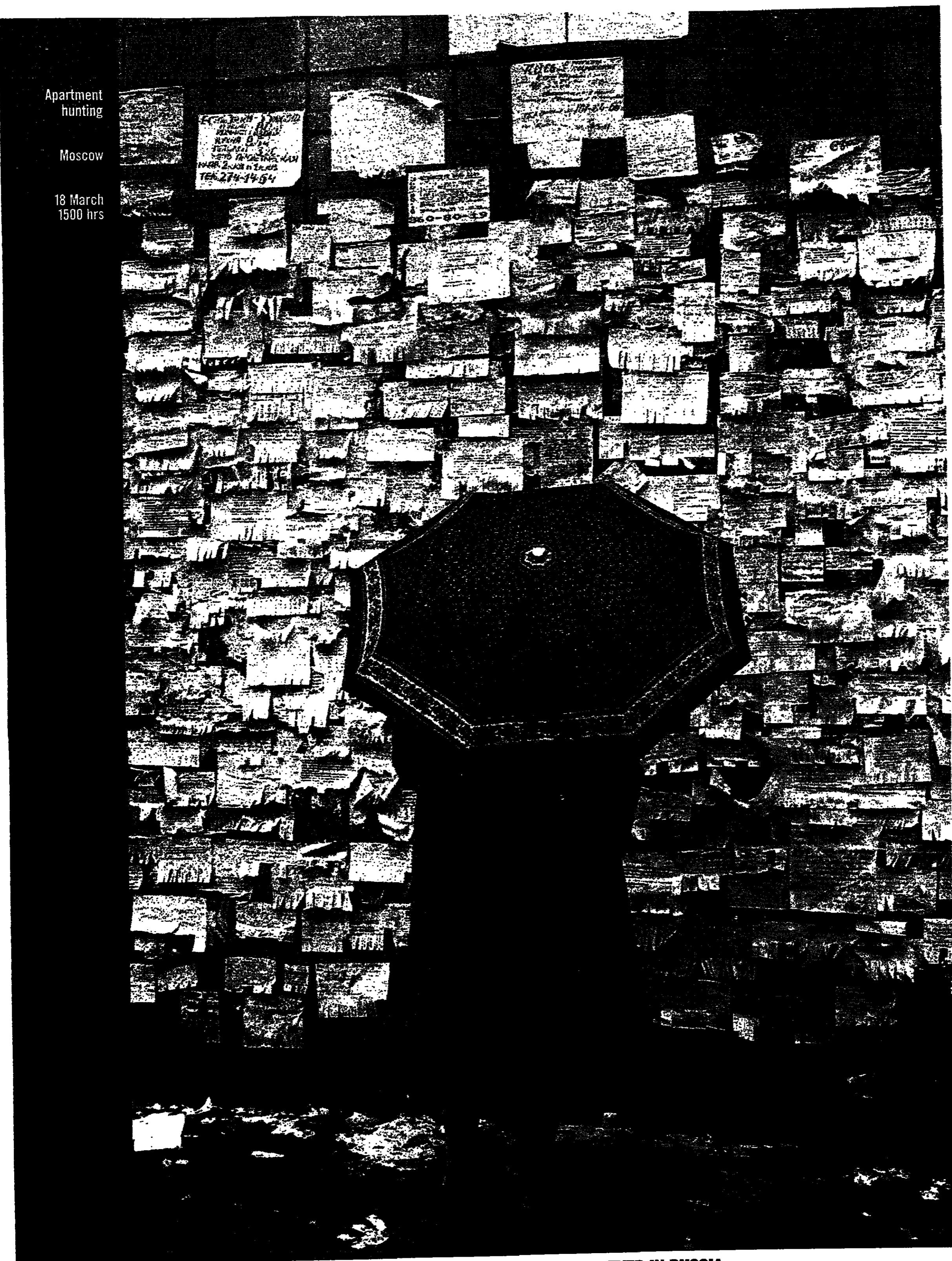
"Without better intervention to address these problems, megacities will become even more congested, polluted, unhealthy, expensive and socially divided. A downward spiral will follow if inward investment is deterred: the megacity's comparative advantage will disappear, the tax base will diminish, with corresponding failures including flooding, groundwater deter-

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Apartment hunting

Moscow

18 March
1500 hrs

**THE GOOD NEWS IS THERE'S MORE CHOICE THAN EVER IN RUSSIA.
THE BAD NEWS IS THERE'S MORE CHOICE THAN EVER IN RUSSIA.**

Capitalizing on the pent-up demand for consumer goods and services in emerging economies promises high rewards, but it also carries high risks. Often these markets don't have the communications or distribution infrastructures businesses take for granted.

For companies who want to succeed in overseas markets, a partner familiar with the political, business, regulatory and cultural climate of the target country is a necessity. Fortunately, AIG is uniquely positioned to help companies guard against the many risks entailed in doing business abroad.

If you are investing in overseas markets, AIG can help you protect your employees, your operations and your balance sheet on a local, regional and global basis through its unmatched breadth of insurance and financial services. Services like directors and officers coverage, employee benefit plans, foreign exchange management and travel accident coverages. And we've got the top financial ratings to back us up. So your company won't be left wondering which way to turn next.

AIG
WORLD LEADERS IN INSURANCE AND FINANCIAL SERVICES
American International Group, Inc., Dept. A, 70 Pine Street, New York, NY 10270

NEWS: UK

Dispute over Britain's place in Europe worsens in last days of campaign

Conservatives 'hit by divisions'

By John Kampfner, Robert Taylor and Andrew Bolger

The Conservative party embarks on the final full week of campaigning in Britain's general election today with divisions on Europe at their most acute in the wake of a cabinet-level dispute over the future of the nation state.

The governing party's divisions over Britain's place in the European Union worsened as Mr Kenneth Clarke, the chancellor, contradicted a claim by Mr Michael Howard, the home secretary, that the EU's intergovernmental conference in Amsterdam in June was a threat to the nation state.

Their televised differences

The general election campaign

- and open talk among Conservative candidates about the possibility of a party leadership contest after a general election defeat - scuppered attempts to move the agenda on the education, Scottish devolution and Labour's relations with the trades unions.

Mr John Major was last night meeting senior cabinet ministers in Downing Street to settle the battle plan for the 10 days remaining before the May 1 poll.

Conservative strategists expressed confidence that the disputes over EU policy

would be overtaken by other issues. But open disagreement between Mr Howard and Mr Clarke suggested otherwise.

Mr Howard, appearing on GMTV, said the intergovernmental conference in Amsterdam in June - which will decide further reform of EU institutions - was "so far reaching that it would indeed put our survival as a nation state in question."

Mr Clarke, asked if he agreed with Mr Howard, told the BBC: "No, I don't. I don't think the survival of Britain as a nation state is at risk because of our membership of the European Union."

Mr Gordon Brown, shadow chancellor, said the row marked "open civil war" and

"the first full day of the Tory leadership campaign".

Colleagues of Mr Clarke said the chancellor had wanted to set the record straight over the alleged threat posed by European federalism, describing Mr Howard's formulation as "rather lurid".

One minister called on Mr Major to "slap down" Mr Howard, but added: "He failed to do so last week when they fell out of line on monetary union, so I don't hold out much hope."

Mr Heseltine, the deputy prime minister, was criticised by Mr Clarke after proposing an advertisement depicting Mr Blair as sitting on the lap of Chancellor Helmut Kohl of Germany.

Mr Blair will use the Tory

inflighting to argue that he is

better placed than Mr Major

to negotiate for Britain at

the IGC.

In a speech in Manchester today, Mr Blair will say he has met his objectives in reforming the Labour party and has honoured his promises.

Mr Major "can't hold his party together for five weeks during an election campaign - who knows what might happen in the next five years, were he to get back in", Mr Blair will say.

More news of the election campaign can be found at the Financial Times website <http://www.ft.com>

Lift truck output is poised for a record

By Peter Marsh

Production of lift trucks in the UK this year is poised for another increase, bringing output to double the figure of five years ago.

The leading makers of these vehicles in the UK are Nacco, of the US, and Linde and Jimingheim, of Germany. They are the world's three biggest companies in this field.

Between them they expect to make 35,000 vehicles in their UK factories this year, up from 33,000 last year and twice as many as the 17,500 made in 1992.

Three-quarters of the UK's output of lift trucks - used mainly in factories and warehouses - worth about £500m (\$810m) a year at distributor's prices - are exported. The three companies have invested £100m in their UK operations since the early 1990s.

The increase in production partly reflects the expanding world market for lift trucks. This has been fuelled by the demands of factories and distribution companies for more rapid movement of goods linked to "just in time" production.

The truck companies in Britain also say they have capitalised on the flexibility and low costs of UK labour to lift production faster than elsewhere in Europe.

UK NEWS DIGEST

Pound strength hits NI aid deal

Sterling's recent strength has hit the European Union's £250m (\$250m) peace and reconciliation programme for Northern Ireland, with officials estimating the amount disbursed could be 14 per cent less than originally envisaged when the aid was agreed in June 1995. Voluntary and community groups voiced their concern at possible cuts with Commission officials at the bi-annual meeting of the programme's monitoring committee on Thursday. The Commission has undertaken to raise the issue when it meets next month to discuss whether to extend the three-year programme for a further two years.

The pound has strengthened from £1.41 to £1.42 when the programme was agreed in June 1995 to £1.41 now. This has resulted in a fall in the value of the package to Northern Ireland from £184m to £158m. In addition, under the terms of the agreement the government puts up a further 25 per cent in matching funds. This too has been cut back. The UK government's Northern Ireland Office estimates that at these exchange rates, the total shortfall is running at more than £30m.

The problem arises just as the programme is being disbursed. The impact could be very damaging for what is an innovative EU aid programme. It targets the most vulnerable groups in both the Protestant and Roman Catholic communities. The EU's aim is to support employment projects, urban and rural regeneration, and economic development.

John Murray Braum

■ RECRUITMENT

Demand for permanent staff rises

The demand for permanent staff by employers is rising at a faster rate than at any time since the height of the economic surge of 10 years ago, according to the latest employment index published today by Reed Personnel Services, the leading recruitment agency. The demand for permanent employees has now reached its highest level since the fourth quarter of 1990, just before the onset of the recession, and is three times greater than 1992 at the depth of the downturn.

At the same time, the demand for temporary employees dropped by 1 per cent in the first quarter of this year, although the demand for temporary employees is a third higher than the same period of last year and 62 per cent higher than its level at the peak of the economic boom in 1988.

The growing pressure in the labour market for more permanent staff is an indicator of the continuing improvement in the employment outlook. But Mr Alec Reed, chairman of Reed Personnel Services said yesterday: "UK businesses are still turning to temporary workers much more than permanent ones to provide the highly skilled, flexible workforce they want in today's competitive marketplace. But as the skills gap continues to increase, talented people start being able to demand permanent status at work."

Robert Taylor

■ WAGE SETTLEMENTS

Manufacturing pay awards stable

Manufacturing basic pay awards remain broadly stable with a provisional average 3.2 per cent increase for the three months to the end of March, according to figures published today by the Confederation of British Industry. The report also finds a continuing stability in service sector wage increases, up by 3.7 per cent for the same period - a fall of 0.1 per cent since last December.

As many as 40 per cent of manufacturing companies said their inability to raise prices was keeping down the level of pay settlements, an increase of a third since the previous survey. One in four manufacturers also said low profits were restraining the level of wage increases and one in five that the rise in the cost of living was also a factor.

Robert Taylor

■ PRODUCTION SYSTEMS

Customisation 'too inflexible'

Manufacturers are failing to integrate their production systems with the requirements of customers when attempting to individualise products according to market needs, according to a report published today by the Foundation for Manufacturing and Industry, a private sector group attempting to promote good practice in production industries.

The report, produced in collaboration with IBM and the Department of Trade and Industry, says that often factories attempting "mass customisation" strategies are too inflexible to cope with tailoring products to individual needs.

Peter Marsh

Single market 'stalled by the focus on Emu'

By David Wighton,
Political Correspondent

unemployment on high social costs.

The competitiveness of European companies is trailing badly behind US and Japanese rivals due to inertia in Brussels and the preoccupation with monetary union, a report by leading British businessmen will conclude next month.

Headed by Lord Sheppard, former chairman of Grand Metropolitan, the food and leisure company, the group will call on business to work for radical change in Brussels and for greater emphasis on completion of the single market.

In an interview with the Financial Times, Lord Sheppard said progress towards a single market had stalled because of the focus on monetary union.

"We need to recapture the excitement that surrounded the 1992 initiative and give the single market the same priority as the single currency which is less important for business," he said.

While acknowledging the progress made towards a single market, the report will say that the original expectations have not been met, particularly in the field of job creation.

Lord Sheppard lays some of the blame for European

Water groups to be allowed to compete

By Leyla Bouton

Ofwat, the water industry regulator, is about to launch the first step towards genuine competition in the water industry.

After two years of delay and on the eve of a general election, Mr Ian Byatt, Ofwat's director-general, is poised to allow Anglian Water to sell water to Buxted Chickens, part of the Hillsdown Holdings group, the manufacturer and processor. Buxted was previously the customer of Essex & Suffolk, a small company.

It would be the first time one water company had been allowed to compete successfully for the customer of a rival through a legal

arrangement known as an inset appointment. The industry is operated by a collection of local monopolies.

Mr Byatt's long-delayed move will be bitterly opposed by the water industry, with the exception of Anglian. "A cynic might say that nobody wants to throw the first stone," said Mr Chris Mellor, finance director at Anglian Water. "If you have monopoly companies and one tries to pinch another company's customers then you are going to get retaliatory action by others."

Mr Jeremy Bryan, an entrepreneur who has lodged the other 20 inset applications still under consideration by Ofwat, welcomed the news.

But he warned that it would not yield the full benefits of greater competition unless Mr Byatt moved quickly to approve other applications.

The companies threatened by Mr Bryan's inset applications - such as Severn Trent and Wessex Water - have so far responded by offering special deals to customers he has threatened to take.

Mr Bryan argued that such discounts represent anti-competitive behaviour, abuse of companies' dominant positions and a violation of their duty not to "unduly" discriminate against other customers.

Mr Bryan said the additional benefits of his inset applications included plans to develop cheaper, alternative sources of water for industrial users, such as waste water from mines.



SPOT THE REFUGEE

There he is. Fourth row, second from the left. The one with the moustache. Obvious really.

Maybe not. The unsavoury-looking character you're looking at is more likely to be your average neighbourhood slob with a grubby vest and a weekend's stubble on his chin.

And the real refugee could just as easily be the clean-cut fellow on his left.

You see, refugees are just like you and me.

Except for one thing.



United Nations High Commissioner for Refugees

Everything they once had has been left behind. Home, family, possessions, all gone. They have nothing.

And nothing is all they'll ever have unless we all extend a helping hand.

We know you can't give them back the things that others have taken away.

UNHCR is a strictly humanitarian organization funded only by voluntary contributions. Currently it is responsible for more than 19 million refugees around the world.

UNHCR Public Information
P.O. Box 2500
1211 Geneva 2, Switzerland

Model courtesy of The LEGO Group

We're not even asking for money (though every cent certainly helps).

But we are asking that you keep an open mind. And a smile of welcome.

It may not seem much. But to a refugee it can mean everything.

UNHCR is a strictly humanitarian organization funded only by voluntary contributions. Currently it is responsible for more than 19 million refugees around the world.

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Additional Interest Statement Disney Enterprises, Inc. (formerly The Walt Disney Company)* U.S. \$400,000,000

Senior Participating Notes Due 1999

Semiannual Statement Dated: April 21, 1997
for the period from September 1, 1996 to February 28, 1997
(the "Period")

Annual Statement

Pursuant to the terms of the above-referenced Notes, this Additional Interest Statement (the "Statement") is being furnished to Holders of such Notes of Disney Enterprises, Inc. (formerly The Walt Disney Company) ("the Company"). Capitalized terms used in this Statement have the meanings ascribed to them in the Notes and the Fiscal Agency Agreement, dated as of October 1, 1992, between the Company and Citibank, N.A., as Fiscal Agent, Principal Paying Agent, Transfer Agent and Registrar. The information contained in this Statement is given for both the Period covered by this Statement (indicated by the box checked above) and for the period from October 20, 1992, the date of issuance of the Notes (the "Issue Date"), through the end of the Period covered by this Statement.

If this is an Annual Statement, this Statement is also accompanied by a descriptive report discussing the activity and status of Eligible Films. Copies of such descriptive report can be obtained by Holders of the Notes upon request to the Fiscal Agent at the following address and telephone number: Citibank, N.A., 120 Wall Street, New York, New York 10043; Attention: Corporate Trust Department; telephone: (212) 412-6215. If this Statement is an Annual Statement, it is also accompanied by a Supplemental Audit Report of the Company's independent public accountants. In this Statement, references to "\$" are to United States dollars.

1. Names of Eligible Films included in the Portfolio:

a. For the Period: b. From the Issue Date through and of Period:
N/A The Muppet Christmas Carol My Boyfriend's Back
The Cemetery Club Father Hood
The Adventures of Huck Finn The Joy Luck Club
Indian Summer Money for Nothing
Guilty as Sin Cool Runnings
Life With Mikey The Three Musketeers
What's Love Got to Do With It Sister Act 2
Son-in-Law Cabin Boy
Hocus Pocus Iron Will
Another Stakeout

2. Names of short subjects to which any portion of Total Revenues has been allocated:

a. For the Period: N/A
b. From the Issue Date through end of Period: N/A

3. Aggregate Negative Costs of Eligible Films in the Portfolio:

\$69,000 \$34,953,000

4. The Aggregate Amount:

\$0 \$400,000,000

5. The Aggregate Domestic Theatrical Rentals of Eligible Films in the Portfolio:

\$47,945 \$165,478,088

6. Calculation of Contingent Interest:

Total Revenues \$42,440,949 \$95,978,583

Contingent Fees @ 17.5% (7,427,168) (16,746,252)

Estimated Third Party Participation Payments* 1,338,560 (4,167,443)

Residues (3,103,368) (27,755,888)

Short Subject Revenues 0 0

Eligible Film Revenues \$38,248,934 \$75,418,000

Base Amount 0 (\$100,000,000)

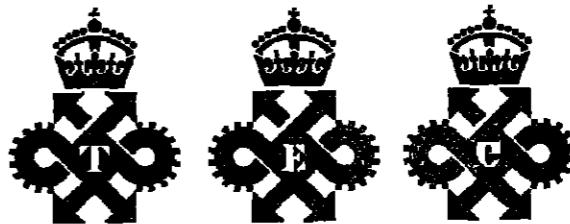
Eligible Film Revenues In Excess of Base Amount 0 0

Contingent Interest 150% 150%

7. Contingent Interest paid per \$1,000 principal of Notes \$

The Queen's Awards

FOR EXPORT, TECHNOLOGY and THE ENVIRONMENT 1997



The quest for overseas sales is intensifying as more British companies find themselves operating in increasingly competitive global markets, says Stefan Wagstyl

Industry rises to the challenge

From steel to heated diving suits, British companies will export almost anything in their quest for business

The UK has lived by exports since before the industrial revolution, but the search for overseas markets has never been more challenging.

With more and more companies around the world competing in export markets, British companies have to work harder than ever to develop attractive goods and services and sell them overseas.

Today, 110 companies that have in the past year succeeded in breaking into new export markets or made other significant gains are honoured with the Queen's Award for Export Achievement. They are joined by 16 companies receiving awards for technological achievement and eight winning honours for environmental achievement.

Alongside British Steel, GEC, and other big groups in the list of export award winners are the names of smaller companies, often entering into overseas markets with the most unexpected products.

For example, there is RTA Wine Rack, which claims to be the world's largest maker of wine racks, and Oasis Art & Craft Products, Europe's biggest manufacturer of painting-by-numbers sets.

Another winner is the Open University's business school, which is exporting its courses to 21 countries.

The youngest company on

the list is Victrex, a maker of advanced thermoplastics for engineering, which was founded in 1990. The oldest is Borden Decorative Products, a wallpaper manufacturer, which started life in 1839.

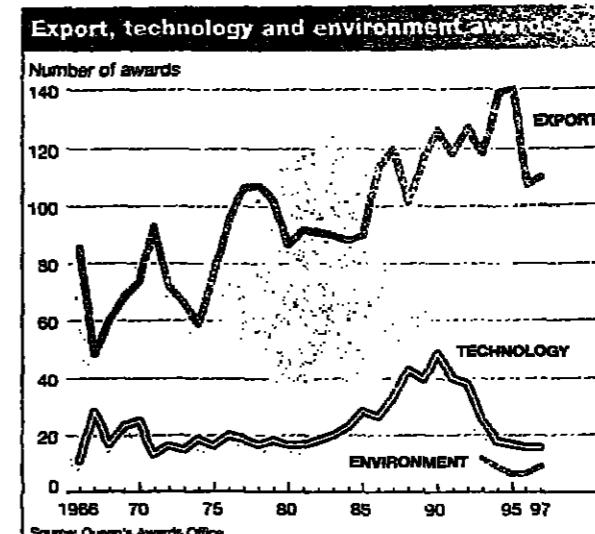
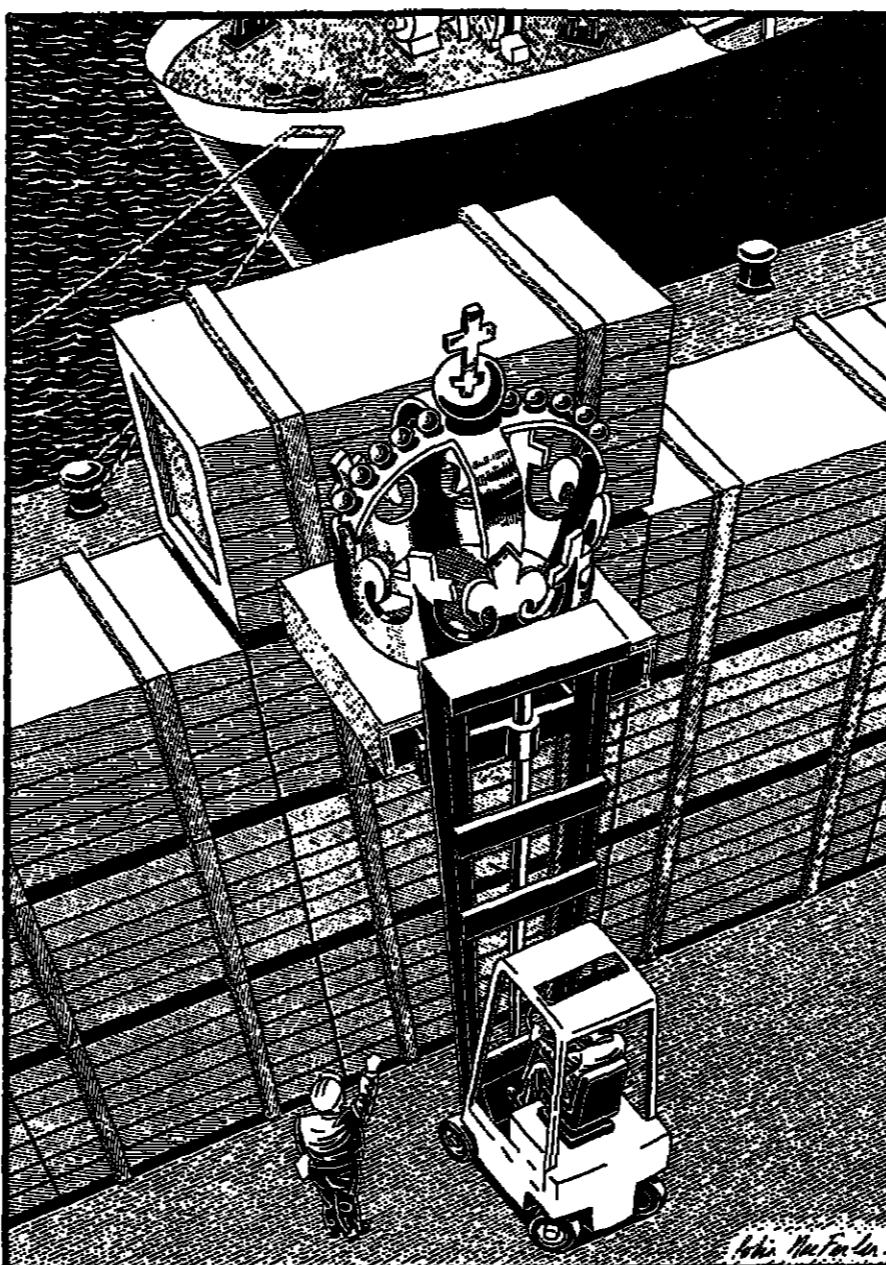
This year's total of 110 export awards is slightly up on last year's 107, but well down on the record figure of 140, achieved in 1995, when industry was enjoying the first fruits of sterling's devaluation after its exit from the European Exchange Rate Mechanism in 1992.

Sterling's steep rise since last summer has come too late to have a significant impact on this year's awards, which mostly cover trading years ending in mid-1996 and before.

Nevertheless, even these award-winning companies are now feeling the effects of sterling's appreciation. Non-sil exports rose 8 per cent last year, following a similar gain in 1995. But economists expect growth to slow to under 5 per cent this year and even less in 1998 if sterling maintains its current levels.

However, companies celebrating their awards today will try to put such gloomy thoughts aside. The honour brings with it three tickets for a reception at Buckingham Palace and the right to use the award in corporate marketing.

Many companies try to involve the whole workforce in the celebrations. Ian Campbell, director general of the Institute of Export, says:



winners in this section include Racial Avionics, a division of Racial, the communications group, which has been honoured for a multi-channel communications system for commercial aircraft that will, among other things, make it easier for passengers to use telephones and facsimile machines.

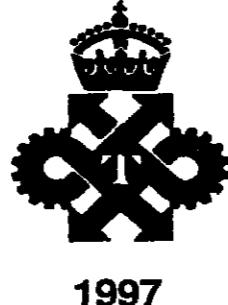
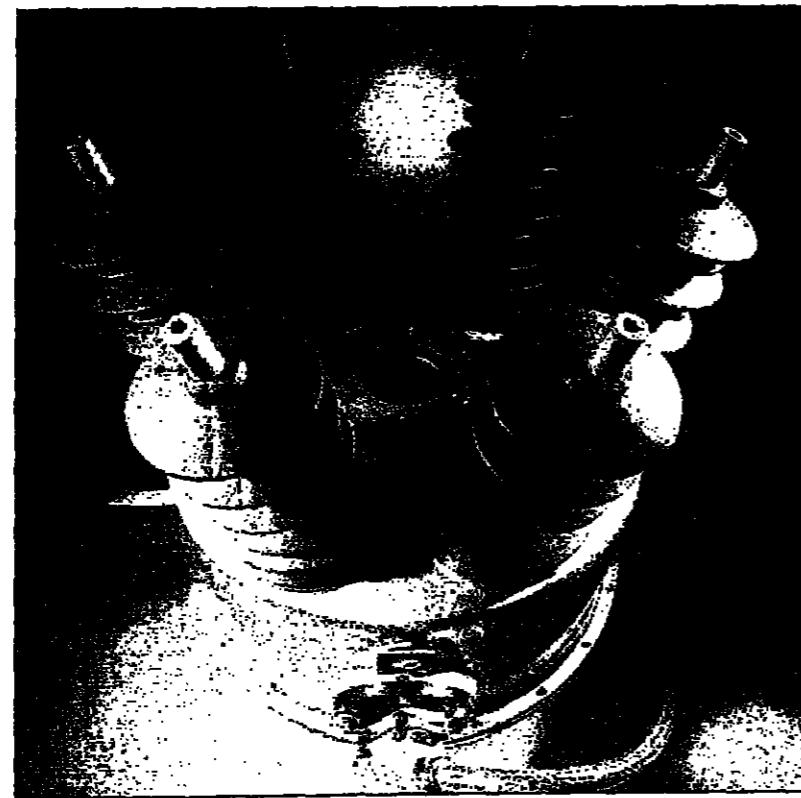
Another long-established company to feature this year is Molins, the maker of cigarette manufacturing machinery, which exports 90 per cent of its output and has had overseas sales totalling more than £500m in the past six years.

Services are also well-represented, accounting for 11 export awards. Among winners in this sector are Bartle Bogle Hegarty, a London advertising agency winning its second consecutive award, and Business Monitor International, a publisher of political risk reports.

The environmental awards, which were launched in 1993, reward companies for preventing pollution at its source rather than addressing its effects.

By coincidence, two power engineering groups have been honoured for similar advances: European Gas Turbines, a subsidiary of GEC Alsthom, the Anglo-French engineering group, and Rolls-Royce of the UK have both devised ways of cutting emissions from industrial gas turbines.

H & R Johnson Tiles, a division of Norcros, receives an award for a process for converting scrap pottery into material for ceramic tiles.



1997

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WINNERS OF THE QUEEN'S AWARD FOR
EXPORT ACHIEVEMENT 1996 AND 1997



▲ Bass Beers Worldwide Ltd.



THE QUEEN'S AWARDS FOR INDUSTRY 1997

The Queen's Awards for Export Achievement

● A	Agro AgriSense BCS Agrisystems (Overseas) Alvarair Alvaray Engineering Aquion Astracast Avro International Aerospace (A Division of British Aerospace Regional Aircraft)	Coventry, West Midlands Pontypridd, Mid Glamorgan, Wales Aylesbury, Buckinghamshire Rushden, Northamptonshire Birmingham, West Midlands Rotherham, South Yorkshire Birstall, West Yorkshire Stockport, Greater Manchester	Agricultural tractors Biological products for insect pest monitoring & control Agricultural consultancy and project management Footwear Bell transfer units Specialist diving drysuits Coloured composite sinks Regional commercial jet aircraft	● K	Keith Ceramic Materials Kingston-SCL	Bethers, Kent Edinburgh, Scotland	Synthetic refractory raw materials Telecommunications software
● B	Lawrence M Barry & Co Barrie Bogle Hegarty Bass Beers Worldwide Biomet Research Bissell Office Equipment Bleuse Medical Equipment Border Decorative Products Wallcoverings Division Bridgeport Machines British Steel Business Monitor International	London E16 London W1 Birmingham, West Midlands Cirencester, Cornwall Woking, Surrey Chesham, Buckinghamshire Darwen, Lancashire Leicester, Leicestershire London SE1 London EC4	Second-hand clothing Planning, creation, production and implementation of advertising Beer and non-alcoholic drinks Research chemicals Office furniture Anaesthetic equipment Printed wallcoverings CNC machine tools Steel products Market reports	● L	Lansing Linde	Basingstoke, Hampshire	Forklift trucks and associated equipment
● C	Camboine Holdings The Chamberlain Candy Co. Computational Dynamics Concept Systems Conrex Contract Chemicals Crestworth Trading v/a "Mathmos"	Mirfield, West Yorkshire Halesowen, West Midlands London W10 Edinburgh, Scotland Wrexham, Clwyd, Wales Prescot, Merseyside London WC2	Office furniture fabrics and componentry Gift confectionery in decorative tins and containers Computer engineering software Systems Waterproofering and protective coatings Specialised organic chemicals Domestic decorative lamps	● M	Marks and Spencer Martin-Baker Aircraft Company Matsushita Communication Industrial UK Matsushita Electric (UK) Mitair Aviation Mivac Molins Tobacco Machinery A Division of Molins Morgan - Europe Morrison Bowmore Distillers	London W1 Uxbridge, Middlesex Thatcham, Berkshire Pentwyn, Cardiff, Wales Ringwood, Hampshire Antrim, County Antrim, Northern Ireland High Wycombe, Buckinghamshire Sheffield, South Yorkshire Glasgow, Scotland	Retail store products Aircraft survival systems Mobile telephones and accessories Colour TVs and microwave ovens Military aircraft spares and servicing Civil engineering Cigarette manufacture and packaging machinery Rolling mill equipment Scotch whisky distillers
● D	Davis & Dunn James Dexhurst Manufacturing Divisions	South Ruislip, Middlesex Accrington, Lancashire	Household goods, toiletries and chemists' sundries Woven and non-woven industrial textiles	● N	NEC Semiconductors (UK) Newbridge Networks Nimbus Technology & Engineering A Division of Nimbus Communications Int. Novatek Optoelectronics A Division of Novatek (Northern Telecom) Novatek Grimsby Novocastra Laboratories	Livingston, West Lothian, Scotland Newport, Gwent, Wales Monmouth, Gwent, Wales Paignton, Devon	Semiconductors Data and telecommunications networks Mastering equipment for DVD and CD production Optoelectronic components and modules
● E	Electra Polymers & Chemicals Electrox, A Division of 600 UK Elion Holdings Entaco (English Needle & Fishing Tackle Co.) Eurocast Bar European Gas Turbines Industrial Gas Turbine Group Extel Publications Exetar UK Texturising Division	Tonbridge, Kent Leighton Buzzard, Bedfordshire Keighley, West Yorkshire Studley, Warwickshire Loughborough, Leicestershire Lincoln, Lincolnshire Watford, Hertfordshire Garforth, Leeds, West Yorkshire	Fine polymers and chemicals for the PCB industry Industrial lasers Circular retaining rings and spring washers Hand-sewing needles, medical suture needles and commercial long-line fishing equipment Continuously cast iron bars Industrial gas turbines Book publishing Polyester textured yarn	● O	Oasis Art & Craft Products The Open University Business School Orkot Orvec International	Kidderminster, Hereford and Worcester Milton Keynes, Buckinghamshire Rotherham, South Yorkshire Kingston upon Hull, East Riding of Yorkshire	Art and craft products Distance learning courses Self-lubricating bearings and wear components made from composite materials Passenger comfort products and protective apparel
● F	The Fin Machine Company Financial Engineering Fletcher Smith Fresh Catch	Stockton-on-Tees, County Durham London W1 Frier Gate, Derby, Derbyshire Peterhead, Aberdeenshire, Scotland	Special purpose machinery for the automotive industry Publications on financial risk management Sugar processing machinery Herring, mackerel and whitetfish	● P	PFE International Pall Europe Parax Parley Perceval Group Perfeseal B A Patras Pfizer Phoenix Engineering Co Pipeline Integrity International Pixel Power Plessey Semiconductors v/a GEC Plessey Semiconductors Proton Textiles	Loughton, Essex Portsmouth, Hampshire Fence, Burnley, Lancashire Billingham, County Durham Newport, Gwent, Wales Londonderry, Northern Ireland Chichester, West Sussex Sandbach, Cheshire Chard, Somerset Crumlin, Northumberland Cambridge, Cambridgeshire Ashton, Kent Swindon, Wiltshire London N22	Automatic mail folding and inserting machines Fine and ultra-fine filters and separation equipment Flame retarded furnishing fabrics Centrifugally spun alloy tubes Money counting systems Medical packaging Motor yachts Pharmaceuticals Road maintenance equipment Pipeline inspection Computer graphics Computer-aided solution software Silicon integrated circuits and power semiconductors Plain and printed knitted fabrics
● G	GPT Public Networks Group Griffin-Woodhouse Harcros Chemicals UK Durham Chemicals Division	Coventry, West Midlands Cradley Heath, West Midlands Chester-le-Street, County Durham	Telecommunication systems Mooring systems Catalysts, coatings and zinc-based chemicals	● R	RTA Wine Rack Company Random Laboratories River Don Castings	Fakenham, Norfolk Crumlin, County Antrim, Northern Ireland Sheffield, South Yorkshire	Wine racks Diagnostic kits and enzymes for medical, veterinary and environmental monitoring Steel castings
● H	Henrob John Hogg Technical Solutions	Flint, Chwyd, Wales Trafford Park, Greater Manchester	Self-piercing rivets and riveting systems Liquid dyes and markers	● S	Schweizer (Europe) Shield Diagnostics Soil Machine Dynamics Speedo International Structural Polymer Systems Surface Technology Systems	Bradford, West Yorkshire Dundee, Scotland Newcastle upon Tyne, Tyne and Wear Nottingham, Nottinghamshire Cowes, Isle of Wight Abercarn, Gwent, Wales	Turbochargers and engine cooling system products In-vitro medical diagnostic products Remotely controlled sub-sea machines Sweepers Advanced composite materials Plasma etching and plasma deposition systems
● I	IBM United Kingdom - Greenock site Iggesund Paperboard - (Workington) Innovative Technology International Gases and Chemicals International KD Logistics & Technology Support Operations International Systems and Communications Interpack Worldwide Inveresk	Greenock, Strathclyde, Scotland Workington, Cumbria Royton, Oldham, Lancashire Newcastle-under-Lyme, Staffordshire Dagenham, Essex London SW1 London NW10 Dunfermline, Fife, Scotland	Personal computers Folding boardbox for use in packaging and graphics Banknote validators Special gases Motor vehicles in kit form Contract publisher of hard-backed full-colour publications International removal and relocation services Speciality papers and boards	● T	Tenstor Toyota Motor Manufacturing (UK) Turbosound Urbanhurst	Milton Keynes, Buckinghamshire Bumaston, Derbyshire Partridge Green, West Sussex Sawbridgeworth, Hertfordshire	Constant force springs Cars Professional loudspeakers Cylinder heads
● J	J C Bamford Excavators Backhoe Loader Division JCB Earthmovers (Wheeled Loader Division) W Jordan (Cereals)	Roseate, Staffordshire Roseate, Staffordshire Biggleswade, Bedfordshire	Backhoe loaders Wheeled loading shovels Breakfast cereals	● V	Vicrex Vitacalender	Thornton-Cleveleys, Lancashire Salford, Lancashire	High performance plastics Calendered rubber sheeting
● K	Charles Wells Walsallholme International Woodland Potteries			● W	Wafer Technology	Milton Keynes, Buckinghamshire Bedford, Bedfordshire Blackburn, Lancashire Stoke-on-Trent, Staffordshire	Compound semi-conductor materials in both bulk and wafer forms Beer Metallic pigments and inks Earthenware tableware

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THE QUEEN'S AWARDS FOR INDUSTRY 1997

DRINKS • by James Buxton

Extreme measures

Pouring all its resources into overseas sales helped a brewer beat competitors

Charles Wells, the Bedford brewery which has won its first Queen's Award for Export, is one of those few UK companies that has reason to thank the last recession.

"Times were so hard in 1992 that we reacted by stepping up our exports," says Charles Wells, chairman and managing director. "You could say we took it to extremes. We put more resources into it and did much better than our competitors."

"For example, we bought kegs for our export beers. They are expensive and may only make three round trips a year to somewhere like Italy, compared with 12 a year in the UK. But they gave us a competitive advantage over brewers selling in small packs and cans."

Charles Wells, a family-owned business which was founded in 1876, believes that it is eighth biggest producer of beers in the UK. Its turnover is about £80m a year and its exports in 1996 accounted for 18 per cent of volume.

Exports have increased more than two and a half times in the past three years. It is well known in British pubs for its Bombardier ale and its Red Stripe lager, usually stocked as guest beers. These products have been making an impact in British-style pubs in continental Europe.

Charles Wells began exporting in 1979 when it responded eagerly to two inquiries, one from Italy and the other from the US. "We pushed out the boundaries as much as we were worth," Mr Wells says.

He learnt Italian and mastered American beer terminology. The company's employees now study languages at the company training centre.

Italy is the biggest foreign market for the company, in terms of value, and Charles Wells beers are sold in 20 British pubs, from Milan in the north to as far south as Bari. The company deals through wholesalers who own the pubs.

FOOD • by Michael Cassell

Fish and trips

Constant travel helps a seafood exporter find new customers for his catches

Last week, after a visit to Boston, Christopher Anderson was at a seafood exhibition in Brussels; this week he's in Hong Kong and a sales trip to China is planned for later in the year. The managing director of Fresh Catch, an Aberdeenshire-based fish processor, is always on the move in the search for new customers to take his herring, mackerel and whitefish.

Mr Anderson, with his wife, started Queen's Award winner Fresh Catch only six years ago when he saw an opportunity to process and distribute the finest the North Sea has to offer. A strategy based on quality, reliability of delivery and extensive marketing has brought success for the business in the face of tough competition from processing businesses in Norway and Holland.

Turnover this year is likely to reach between £15m and £16m and, with sales growth expected both in European and Asian markets - in particular the Philippines and Malaysia - Mr Anderson expects the figure to double within the next five years. Fresh Fish operates from two processing plants at Peterhead and is an important source of local employment; the number of employees ranges between 100 and 130, depending on seasonal demand.

Not all export award winners in the food sector sell food. Fletcher Smith of Derby, founded in the early 19th century and now part of the Booker food processing and distribution group, has become an important force in the design and supply of machinery for the handling, extraction and processing of sugar cane and sugar beet. It

PROFILE

Percell Group

Out for the count

A banknote and coin-counting machine has speeded up queues in banks

Sales to the US market ended after the importer was sold to a French company which stopped ordering British beer, but the brewery has good markets in Germany, France and Spain, and in Sweden, Denmark and Finland.

Another winner, Bass Beers Worldwide, has received a Queen's export award for the second year running, thanks to a 34 per cent increase in beer exports between September 1995 and September in 1996.

Simon MacDonald, managing director of the Birmingham-based division, says that the sales increase is the result of combination of new brands and new markets.

While Bass Ale remains its flagship international product, the company has added Caffrey's Irish Ale and Hooper's Hooch to its overseas sales list.

"These beers have been stunningly successful in the UK and we have been spreading them overseas by resourcing them with extra people," says Mr MacDonald.

Bass has also managed to fill gaps in its coverage of overseas markets by moving, for example, into Brazil, Uruguay and Argentina, and, nearer to home, expanding its operations in central and eastern Europe.

Morrison Bowmore, the Glasgow-based whisky maker, has also won the Queen's Award for Export for the second year running. The company, which belongs to the Japanese drinks company Suntory, exports about three quarters of its turnover, which in 1995 was £27m.

Exports grew by 33 per cent in 1993, 50 per cent in 1994 and 78 per cent in 1995. The company has three distilleries - in the Scottish Highlands, the Lowlands and on the island of Isla - which enable it to sell three different types of single malt.

Its Bowmore malt from Isla is its fastest growing seller in the US, and its Bowmore Legend sells well in the hypermarket sector in France.

The transformation of Morrison Bowmore's export performance comes as a result of a switch in the early 1990s from selling whisky in bulk to promoting its brands.

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Managing director Edgar Biss's Eureka moment came in a bank

cent of sales are made to non-bank customers, such as retailers and fast food restaurants. Its success depends on accuracy, speed and ease of operation. The machines range in price from less than £200 to about £2,000. So far, Percell has sold 60,000 of them.

Weighting coins is a straightforward task, but Tellermate must be extremely sensitive to reach accurate calculations on piles of no more than two dozen banknotes. Weight can vary with torn corners or tape, or even wear and tear.

Each Tellermate continually judges its own performance, looking out for anomalies and adjusting its calculations accordingly.

If its initial "count" is outside the bounds of probability, according to its most recent experience, the machine instructs the operator to remove a few notes, so it can try again.

Only when it is satisfied the answer is statistically sound, does Tellermate give the all clear.

Even so, the machine reduces from 10 minutes to

less than two the average time need to count the contents of a till tray, according to Chris Lare, Percell's technical director.

In addition to being portable and robust - "we've even had one returned after being dropped into the deep fryer," says Mr Lare - the machine also has to be capable of operation by staff who sometimes may have very little training.

Another strength is to adapt Tellermate to suit each customer's existing procedures. Some count notes in ascending order; some the other way around.

Some want the total shown by value; others by the number of notes. All are equally certain that their own way is the best. Since 60 per cent of its sales are order-led, Percell has to treat all as right.

This dependency on orders holds potential risks

Percell more than doubled its exports last year, selling to more than 25 countries. It is now looking to expand in Latin America, having established a bridgehead in Brazil. Margins have taken a "bit of a hit" from the strength of sterling, Mr Lare said, because it has been unable to raise prices quoted in yen and D-Marks, but this has not been a big problem.

The company pays special attention to the language skills of its sales staff, focusing on familiarity with a local market. "It's not just about language, it's about culture," Mr Lare says. For example, the French and German sales efforts are run by nationals of those countries, although both were recruited in the UK.

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This dependency on orders holds potential risks

for Percell, but only 12 of its 60 employees in Newport are engaged in manufacturing and the company uses "labour pool techniques" - industrial temps - to smooth out demand.

In research and development, Percell focuses on enhancements rather than a radical leap into new products.

Although some customers already feed data from Tellermate into their computer systems, Percell is working on a software system that will offer, in effect, a turn-key cash

office.

It makes few multi-currency machines. Bureaux de change, for example, do not generate the volume of cash to justify using Tellermate. A few machines have been sold, however, for use on busy borders, such as US-Mexico and US-Canada.

A single European currency holds no terrors for Tellermate. Mr Lare says Percell needs only the Euro's final specifications to prepare the appropriate machine.

Clay Harris

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THE QUEEN'S AWARDS FOR INDUSTRY 1997

THE ENGINEERING SECTOR • by Peter Marsh

A cracking performance

Tubing used in ethylene crackers has given Paralloy its winning edge

Inside most of the world's 150 or so ethylene crackers - potent symbols of a country's industrial strength - are several kilometres of the sophisticated tubing that is vital to the plants' performance.

Paralloy, based in Birmingham, is among the very small number of companies worldwide which supply the tubing, and one of the engineering firms that has won a Queen's award for exports. The company is part of the Triple-Lloyd engineering group, and employing about 300 people, Paralloy last year sold tubing worth about £28m, of which roughly 85 per cent was exported.

The tubing, based on nickel/chromium alloys, is packed inside the furnaces of ethylene crackers. Ethane gas or naphtha is passed through the tubes at about

1,000°C to produce ethylene, an important constituent of some of the most widely used plastics, such as polyethylene and polypropylene.

With the world's ethylene production capacity forecast to increase by 25 per cent to more than 100m tonnes annually over the next four years, Paralloy is in a strong position to continue its recent growth.

Since the early 1990s, its sales have more than doubled, with about a third of revenues coming from the Far East and a third from the US. Customers include the big petrochemical companies, such as BP, ICI and Exxon.

Also capitalising on strong global demand for its products is Lansing Linde, part of Germany's Linde group, Europe's biggest maker of lift trucks which are used in a range of manufacturing and retail industries. Production from the company's UK factory in Basingstoke last year was about 5,500 trucks, double the figure for 1994, with a value of about £90m.

The company believes its riveting machines - which

put being exported, the company - which began as Lansing Bagnall, a UK business, and was taken over by Linde in 1989 - is looking to increase production to about 7,000 trucks by 1998.

This year's export award marks the fifth time the company has won a Queen's export prize, although it is Lansing's first award since it became part of Linde.

At the other end of the corporate scale is Henrob, a company with annual sales of £1m, based in Flint, Clwyd.

Henrob makes specialised automatic riveting machines. The company - set up by chairman and managing director Keith Jones in 1985 - exports 30 per cent of its sales to customers such as Audi, Porsche of Germany and Freightliner, the US truck company.

Henrob has expanded by marketing its products as replacements for the arc welding systems used on car production lines.

The company believes its riveting machines - which

punch a hole in metal and join it to another piece as part of the same process - can save on labour costs and improve efficiencies in manufacturing and construction.

Winning two export awards this year is J.C. Bamford Excavators, the privately-owned company set up 52 years ago which is one of Europe's biggest construction equipment businesses.

The company won the awards for its backhoe loader and wheeled loader divisions. These have increased exports from less than £20m in 1994 to nearly £200m last year.

The company has now won 13 such awards since 1989.

Sir Anthony Bamford, JCB's chairman, said the awards recognised that "British companies can be successful on a global stage".

Another established business figuring in the awards is River Don Castings, based in Sheffield and part of the Sheffield Forgemasters Group.

River Don, which claims to

be the world's oldest steel foundry, has established itself as a leading supplier of specialist equipment for the oil and gas industries. Over the past decade it has expanded exports from 2 per cent of sales to almost 75 per cent.

A somewhat younger business figuring in the awards is the UK division of the US-owned Morgan Construction group which makes rolling mill equipment and has been trading only since 1992.

In a related field is Loughborough-based Eurocast Bar, part of the BI Group, which makes iron bar and tubing and exports to Europe, New Zealand, South Africa and the Middle East.

Electrox, part of the UK-owned 600 Group, which makes specialised industrial lasers for marking, cutting and welding also picked up an award.

Soll Machine Dynamics, part of Bywell Holdings, which is a leader in making sub-sea systems for burying and maintaining cables for telecommunications networks.

The award-winning company's main export markets are Japan, Singapore, the US and Europe.

PROFILE RTA Wine Rack Company

Racking up success

The next time you reach for a bottle of Chardonnay, chances are it will be drawn from an RTA wine rack. The Norfolk-based company sold 300,000 of the distinctive wood and metal constructions last year in the UK, while sales were more than double that in its fast-expanding export markets.

Tim Arthur, managing director, says that while the company's success has mirrored the expansion in wine consumption, particularly in the UK, the sustained growth has come from "having good people who can get out there and do the business".

RTA was founded in 1973 and taken over by Mr Arthur's family company

shortly after he joined as managing director in 1985. He retains a 76 per cent stake, with Brian Kileff, head of the US distribution business, holding 21 per cent, and Carl Saunders, operation director, the remainder.

Growth accelerated in 1991 when RTA took over its main competitor, CS Wine racks. Sales of £2.6m in 1994 - when RTA won its first Queen's Award for Export Achievement - grew to £4.5m last year. Exports more than doubled from £1.3m to £3m in that time.

Mr Arthur admits the simplicity of the wine rack product could make the company vulnerable to competition "but that simply underlines the effort

we have put into our merchandising and marketing".

The company's basic product retails at £3.99, although it also sells grander designs and customised models, including a 26,000-bottle cellar. Trade exhibitions are an important element in its export success, with enormous emphasis being placed on face-to-face contact with potential customers.

"No one would buy from us if we did not get out there and speak to them personally," says Mr Arthur. "Our salesmen visit every major retailer in the developed world. And we make sure they speak the language."

France, Germany and North America are the group's main export markets, although emerging markets are taking an increasing share.

RTA is based in the village of Great Ryburgh, near Fakenham. Mr Arthur sees no disadvantage in being located away from the large UK concentrations, chiefly because of the large proportion of exports and the company's proximity to the port of Felixstowe.

Indeed, with some 75 employees, mostly drawn from the village or surrounding areas, he believes staff loyalty is enhanced. The automated production line means costs are kept low, with the main costs coming from the raw materials, wood and metal.

Among other products being considered for launch is a "revolutionary" cork

screw, invented by a Cambridge graduate, and developed in conjunction with the company over the past two years. Levers replace the screwing action of traditional models and the swift action can withdraw a cork within eight seconds.

"It's very slick," says Mr Arthur.

He believes the outlook is also bright for the group's core products. "If I had been asked earlier this year, I would have said demand from our mature markets might hold back growth.

But we have seen any slowdown more than made up by increased demand from emerging markets. It just serves to remind you that it's a big world out there."

Christopher Price



Lincoln lies well away from the heart of British industry. But the city is home to one of the country's most advanced engineering companies - the Industrial Gas Turbine Group, the Anglo-French engineering group.

The unit has won two Queen's Awards this year, one for exports and the other for environmental achievement, bringing its total tally of awards to eight.

Industrial Gas Turbine Group employs some 2,500 producing turbines for use in small power plants, for pumping oil and for gas compression. In 1996, about 82 per cent of its £194m turnover was exports, up from 74 per cent in 1991.

The plant, previously known as Ruston Gas Turbines, was among the earliest developers of industrial gas turbines. It was established in 1946 by a team of engineers who had worked with Sir Frank Whittle, the pioneer of the jet engine.

The company secured its first export

order in 1952 from a Middle East oil company.

The environmental achievement award has been won for the company's latest system for cutting the emissions from turbines. This innovative equipment, called the dry low emission (DLE) combustion system, cuts nitrogen oxide emissions by 85 per cent.

The company says it is significantly less complex than other technologies and does not interfere with the combustion process.

The company has sold 18 units with the new equipment to customers in Europe, Russia and New Zealand.

The system can be fitted to existing turbines and has been installed on two units in Denmark.

The company says it is planning to develop DLE further "in order to meet the environmental challenges of the next century".

Stefan Wagstyl



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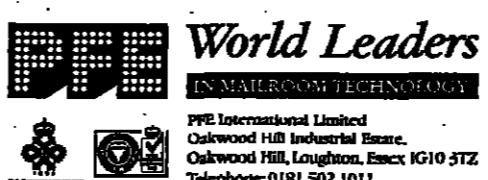
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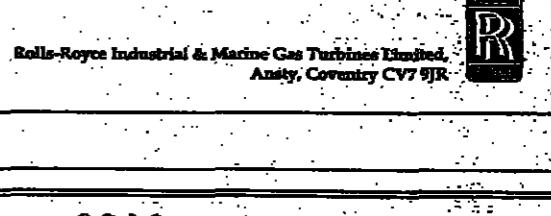
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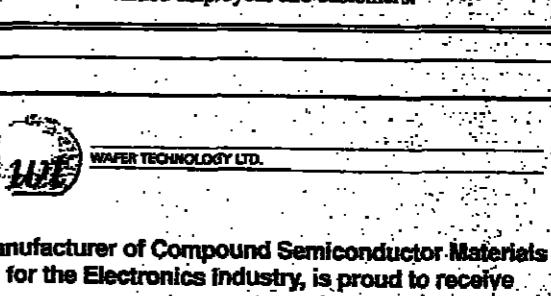
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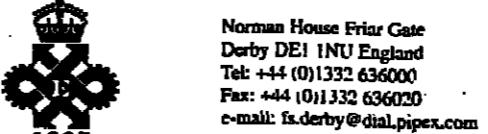


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THE QUEEN'S AWARDS FOR INDUSTRY 1997

INFORMATION TECHNOLOGY • by Paul Taylor

Little and large

From minnows to multinationals, ingenuity and low cost production win the day

Britain has a solid reputation in the global information technology industry for developing innovative software and hardware products, and for being a cost-effective manufacturing base for multinationals in the sector.

Both attributes are reflected in the Queen's Awards for Export Achievement which have been won by UK-based information technology companies, including a group of specialist software companies and businesses serving the semiconductor industry.

The recipients range from a small London-based software company which has become a world leader in the complex field of computational fluid dynamics, to the Scottish subsidiary one of the world's largest personal computer manufacturers.

Computational Dynamics, which was founded just 10 years ago and developed STAR-CD, a multi-purpose

thermofluids analysis software package, derives most of its earnings overseas. The software is used by engineers and scientists to simulate fluid flow, heat transfer and chemical reactions in industry and the environment. Specific applications include transport, chemical engineering and power generation, and main markets are Japan, continental Europe and the US.

At the other end of the scale, the International Business Machines plant in Greenock, Strathclyde, manufactures IBM's range of personal computers and provides customer support services for the whole of Europe. IBM's Greenock site, which was established in 1961, was ranked sixth among the UK's largest exporters last year and exports a large proportion of its output to the European Union, the Middle East and Africa, with new markets in eastern Europe, South Africa, UAE and China under development.

A pan-European customer support call centre was opened in Greenock two years ago to deal with customer hardware and software problems. The centre

employs 300 staff and deals with callers from 15 countries in their own languages.

Another Scottish company, Concept Systems, based in Edinburgh and established in 1983, develops and manufactures data acquisition and navigation systems for use in the oil, marine and defence industries. Most of Concept's earnings come from overseas and its main markets include the US, Norway, Australia and Singapore. It is also developing markets among the CIS countries and China.

Pixel Power, one of the "Silicon Fen" companies which have grown up around Cambridge in the past decade, manufactures hardware and software systems for creating graphics, text and animation for television programme production and broadcasting. Its main product, Collage, is available in more than 20 language versions including Thai and Slovenian. Exports by the 10-year-old company have increased five-fold over the past three years.

Meanwhile Planit International, which began trading in Ashford, Kent in 1994, has developed computer-aided planning and costing soft-



Entaco, which won an award for export, manufactures medical suture needles and commercial long-line fishing equipment. It has also developed special needles for craft, tattooing and sewing

ware for retailers and manufacturers of kitchens, bathrooms, bedrooms and office furniture. The software generates 3-D colour images so customers can see exactly the finished results.

Among companies involved in the semiconductor business, NEC Semiconductors, which is based in Scotland at Livingston in West Lothian, has also won an export award.

Wafer Technology, which makes compound semiconductor materials in bulk and wafer form, and Surface Technology Systems, part of Sumitomo Precision Prod-

ucts, also received awards. Surface Technology, which is based in Ahercarn, near Newport, in Gwent, manufactures plasma etching and plasma deposition systems used in the development and production of semiconductor devices.

The company exports to semiconductor chip makers around the world. Another award went to Plessey Semiconductors, part of GEC, which manufactures the silicon integrated circuits and power semiconductors mainly used in the mobile communications, consumer electronics and computing

A strong international profile is crucial to this year's winners

UK expertise in the technologies underpinning today's communications revolution goes some way to explain the export success of telecoms manufacturers in today's list. As important, however, is the international dimension, illustrated by the fact that four of the five telecoms winners are part or wholly foreign owned.

GPT, the UK's largest telecoms manufacturer, with factories in Coventry and Liverpool, is honoured for increasing sales of all its public networks products by 240 per cent between 1994 and 1996. It is the world leader in synchronous digital hierarchy, a key component of the information superhighway and a technology so new it scarcely figures in telecoms textbooks of a decade ago.

Yet GPT, helped by its global trading partner and 40 per cent shareholder Siemens of Germany, now holds a 33 per cent share of the world SDH market with sales to more than 80 large network operators in more than 60 countries.

Nortel Optoelectronics, based in Paignton, Devon, a UK division of Canada's Northern Telecom, took its award for increasing export earnings over the past three years to more than \$300m.

Most of the company's lasers, receivers, modules and broadband interconnection products go to North America where they are used in SDH and Sonet (Synchronous Optical Network) networks. It also sells in Germany, France and Korea. John Pittman, the company's managing director, says monitoring market trends has enabled the company to stay at the forefront of lightwave technology.

Newbridge Networks, the

UK subsidiary of the Canadian data communications group, nearly doubled its exports to Europe, the Middle East and Africa, last year, totalling direct export sales of more than £100m.

Newbridge builds advanced systems which allow private companies to create data networks. It is a leader in ATM (Asynchronous Transfer Mode) technology which is expected to be the technology of choice for the information superhighways of tomorrow.

The company has successfully opened new markets in Hungary, Latvia, Poland, Slovenia, Germany, France and former Soviet republics.

Panasonic, one of the best known brands from the Japanese industrial giant Matsushita, won its first Queen's award for exports of GSM mobile phones from its Thatcham, Berkshire, factory.

Sales to Europe, Turkey, Hong Kong and South Africa produced a year-on-year growth of 27.30 per cent with a consistent increase in exports from 47 per cent in 1994 to 76 per cent of total sales in 1996.

Masahiko Yamamoto, managing director of Matsushita in the UK, says: "We now export our products to more than 50 countries worldwide and our production has increased by almost 300 per cent in the last year." GSM digital phones, which obey a Europe-defined standard, are quickly becoming the world's most popular mobile phone with almost 12m in use Europe alone.

Telecoms networks need comprehensive computer software support, especially for the complex task of customer billing. Kingston-SCL, an Edinburgh-based software subsidiary of Kingston Communications, the UK's only municipally-owned telecoms operator, has seen overseas earnings rise nearly 10 times from licensing agreements. Last year, export revenues totalled £17m, an increase of 68 times from 1991.

THE MEDIA • by Raymond Snoddy

Have slogan, will travel?

Multilingual copywriters will help a leading ad agency improve global campaigns

Barrie Bogie Hegarty, the UK advertising agency behind campaigns for international brands such as Levi Strauss and Häagen-Dazs, will today announce the creation of a business unit, BBH Writers.

The company aims to increase its penetration of international markets by appointing local copywriters fluent in other main European languages apart from English - French, Spanish, Italian and German - who

will adapt advertising and advise on cultural nuances.

The announcement comes as BBH celebrates its second export award in consecutive years for what has traditionally been a product not exported from the UK. The large multinational advertising agencies have tended to produce advertising for different markets in local offices. BBH believes this is about to change as, increasingly, large international companies plan one market advertising campaign for Europe, or the world, and seek to deal with one agency.

Last year BBH was the first advertising agency to win a Queen's Award for Export Achievement and

since then it has signed five new international clients - Metaxa (pan-European), Peretti (Italy), Cointreau Liqueur (pan-European) and Time Magazine (pan-European). The agency has 31 clients, 15 of which require multilingual advertising.

Another company in the sector to win an award is International Systems and Communications, which sells advertising in hardback publications for United Nations bodies and other international organisations.

With budgets contracting, when international bodies want to mark a conference or anniversary with a publication, many give the job to ISC, which delivers at no

charge a full-colour hardbacked publication in return for being able to sell advertising in it.

Mark Blacklock, the ISC editor-in-chief, says 90-95 per cent of the company's business is overseas, with main markets for its exports in Europe, the Asia-Pacific Rim and North America.

Two companies specialising in publications devoted to risk management have also won awards - Business Monitor International and Financial Engineering.

For Financial Engineering, which trades as Risk Publications, it is the second export award. The company publishes magazines, books and directories, and organ-

ises conferences and training courses in the areas of financial risk management.

Peter Field, the chairman and chief executive, says the output of the company, which has a turnover of about £15m, ranges from serious academic research to intensely practical advice on how to minimise the threat posed by rogue traders.

Business Monitor International is interested in a broader range of assessments - from political risk, to economic prospects and the business environment of emerging markets. More than 20,000 businesses have purchased the company's reports in the past three years.

More than 90 per cent of Business Monitor's reports are exported to 120 countries, with the US, Saudi Arabia, Malaysia, Indonesia

and Mexico among its top markets.

Business Monitor, with a staff of 30 and turnover of £3.6m, competes with some of the larger media groups such as Pearson, owners of the Financial Times, Dow Jones and Enza.

Watford-based Ebury Publications may not be one of the largest export award winners but it has a fascinating

product, specialising in biographies for 11 to 16-year-olds and colourful gift books printed in English and 30 other languages for distribution in 65 countries. The series of biographies on business achievers includes Bill Gates of Microsoft and Anita Roddick of Body Shop.

Another series devoted to "those who have helped the world" features Martin Luther King and Henry Ford. Another series devoted to "those who have helped the world" features Martin Luther King and Henry Ford. Another series devoted to "those who have helped the world" features Martin Luther King and Henry Ford. Another series devoted to "those who have helped the world" features Martin Luther King and Henry Ford.

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THE QUEEN'S AWARDS FOR INDUSTRY 1997

THE TEXTILES INDUSTRY • by Jenny Luesby

A change of tack

Once promoters of luxury items, UK exporters are marketing new kinds of products

In textiles and clothing, a new generation has seized the exporters' catwalk. For decades, the secret of success in the face of cheaper labour in Asia has been the use of British cachet to capture the top of the global market. But this year's winners have taken a different route. Almost without exception, they have got smart, rather than sold "British".

Cambridge, which began as a one-man operation in the 1970s, now employs 230 at its manufacturing site in Nottingham. It makes fabrics for office furniture. "Office fabrics need to withstand much more wear and tear than home furnishings," says Ian Burn, the company's marketing co-ordinator. "But until we came along, they were only being made to order."

Cambridge now runs 50 looms 24 hours a day, in West Yorkshire, making fire-resistant super-strong fabrics. The looms used to make ladies clothing fabrics, of

cashmere and exotic fibres, for a company that had been there since 1812.

James Dewhurst has also made a virtue of strength, in an area where the UK was never formerly a contender. It makes reinforced fabrics for aircraft shutters, inflatable boats, oil booms and even textile buildings, such as at Riyadh airport. "It is a highly competitive area, traditionally dominated by German producers," says David Hill. "But we are winning the market because we have invested £7m in state-of-the-art machinery, and the Germans have not."

Another winner, Orvec, spotted a market in sportswear for pillow and head rest covers for airlines. South African Airways is the latest customer to sign up for the covers Orvec developed with British Airways.

The company also makes disposable protective clothing for chemical spills. In this more crowded market, it is leading through technology, with a suit that can be donned in less than a minute – a serious bonus by comparison with the traditionally heavy and cumbersome chemicals suit.

Aquion, a manufacturer of

diving suits, is also drawing on technology. It will soon launch the world's first micro-processor controlled heated suit, not just for divers, but for motor cyclists, cold storage workers, sports anglers and site workers. Meanwhile, from a standing start in 1984, it is manufacturing 8,000 dry suits a year for divers, making it the world's largest supplier.

Another winner with a technological lead in a sporting market is Speedo, winning an award for the first time this year. Its exports have risen by 70 per cent in three years, as a new management has built a leisurewear business around the company's traditional specialism in swimwear.

"What is interesting about our award is that we are winning as a British company, manufacturing in the UK, in an area where all the competition is American or German," says Mark Hamersley, Speedo's president.

Unusually, Marks & Spencer, is taking mass market clothing, mostly made in Britain, into the very countries that have taken over this kind of production.

The company already has



Rags to riches: Lawrence Barry buys clothes from charities, local authority textile bins, and even end-of-line corporate wear, and exports them to the developing world

nine stores in Hong Kong. It plans another six, and "last week, we moved into Korea", says Keith Oates, deputy chairman. In four years, the retailer has almost doubled exports, to £380m, equivalent to 15 per cent of its total sales, by setting up stores in 32 countries.

It's winning formula in the UK is translating into something else overseas, says Mr Oates. "Where in the UK we are seen as competing with brands by offering good quality at low prices, in the Far East and many other foreign markets we are seen as being a high-class brand in our own right."

Another winner, Esxa, is the product of inward investment by Turkish parent company Sabanci. Most of Esxa's customers are in continental Europe, because it is a supplier to the weaving industry, which no longer exists in any force in the UK.

But general manager H. Kavrali says Sabanci chose the UK for its polyester processing operation, because the country offered "the best general infrastructure within the EU". As a result, "three-quarters of our sales are exports," he says.

Similarly, Lawrence Barry identified a natural export market when he set up as a second-hand clothes trader in 1985. He now employs 150 staff, processing 125 tonnes of clothes a week, of which 80 tonnes are exported.

The company buys from charities, local authority textile bins and even end-of-line corporate wear. Clothes with no stains or rips and a full complement of buttons and other trimmings are sorted by garment and bundled for sale in street markets in the developing world.

As a rags to riches story, Mr Barry's business reflects the essence of this year's clothing and textile awards.

Winners in a sector that has to make its own advantages

HEALTHCARE • by Daniel Green

Prognosis positive

Diagnostics companies are prospering by exploiting new technology

says Colin Deane, chairman. Yet Bionet has been taking advantage of some of the latest drug-research technology. One of the most powerful new techniques of the 1990s is "high-throughput screening", in which robots and computers are linked in order to test thousands of chemical compounds against a molecular target.

This means drug companies are on the lookout for new libraries of molecules to test and are turning to companies such as Bionet to supply them.

Exports have increased five-fold in three years. Sales are running at £1.5m a year, with 97 per cent exported – mostly to the US, though continental Europe and Japan are also important.

Another independent company to have won an award is Randox Laboratories of County Antrim, Northern Ireland. Using its own purification technology, it supplies diagnostic tests, such as those for blood cholesterol. It is also now tests meat to see if farmers have used illicit additives to improve quality.

Diagnostics is clearly an area where small companies can thrive. Seven-year-old Novocastra Laboratories wins its second Queen's award in a row. The company, which now has nearly 50 employees, is planning to move from its premises on Newcastle University campus.

It, too, uses some up-to-the-minute technology: it manufactures monoclonal antibodies (MaBs) – proteins that have a very precise affinity for other proteins. The MaBs can be used to identify markers in the bloodstream that betray the presence of a tumour.

Ninety-five per cent of production is exported, with the US the biggest market.

Novocastra and Randox were not the only diagnostics companies to win export awards this year. The big drug makers might have been absent, but it seems that the UK is becoming an important centre for the new medical tests.

PROFILES Airwear and Proton Textiles

A foot in many doors

In a little over a decade Dr Martens has gone from being the preferred footwear of skinheads and factory workers to becoming an well-known international brand with annual exports of \$123m.

The original footwear, with its distinctive air-cushioned soles, was invented by a cobblering Munich doctor in West Germany. But since 1980 it has been produced in Britain by the R Griggs group, a family business based in Northamptonshire. When Airwear was set up

to handle Griggs' sales and distribution in 1988, DMs – as they are popularly known – were produced by several local shoemakers.

"It was getting very messy. Manufacturers were selling through different wholesalers and high street prices varied enormously," says Andrew Borg, Griggs' corporate affairs manager. "This was confusing customers and didn't do the brand any good."

Since then Griggs has bought out the other manufacturers and Airwear is its sole distributor in the UK, North America and Germany. On the back of rising exports, production has risen from 225,000 pairs a week in 1993 – when the company last won a Queen's export award – to about 1m pairs at present.

In the 1980s, DMs came in

just a few dozen colours and designs based on its classic three and eight eyelet shoes and boots. Exports rocketed after the company expanded its range of materials and shapes to maintain sales momentum after the fashion item in the mid-1980s. DMs now come in 65,000 variations including platform soles and in materials ranging from pink velvet to leather paisley and tartan patterns.

Exports account for more than 40 per cent of sales and twice a year the company's 34 overseas agents are invited to London to preview the next season's collection and to make their orders. After the UK, the US is the biggest market with \$61.9m sales in 1996, followed by continental Europe with \$40.6m.

Spain marks a departure in that the company has taken on a local partner – Mr Costa says Spanish companies prefer to buy from local suppliers.

In its early days Proton

Textiles in 1988 after graduating from Manchester University with a degree in textiles, economics and management. Eleven years on, the company, set up as a textiles merchant, produces and distributes fabric used to make kit for Premier League footballers and their fans and exports to most European Union countries.

Sales rose from £2.62m in 1993-94 to £6.57m in the year to last June. This year they should reach £2m with exports providing about 40 per cent of sales.

Exports accounted for 61 per cent of turnover in the past two financial years with France and Portugal the top overseas markets.

Mr Costa, who owns 99 per cent of Proton, says the strength of sterling has forced the company to refocus on the UK. Nevertheless, he is hoping for sales of at least £1m within three years in both Germany and Spain, new markets Proton has begun to penetrate.

Spain marks a departure in that the company has taken on a local partner – Mr Costa says Spanish companies prefer to buy from local suppliers.

In its early days Proton

used agents abroad. Now Mr Costa – a Greek speaker who leads a multilingual team of 10 at the London head office – prefers to deal directly with clients to ensure prompt service and the best pricing.

He says the company's break came in 1993 with an order from Adidas which it won partly because it cut lead times. Since then it has signed up other big names in sportswear, such as Nike, and in 1995 it moved into production, acquiring a plant in Nottingham where it employs 25. It is about to move production to a larger site and to invest a further £2m on top of the £1m it has already spent. Investment has been financed from profits.

"People talk of the demise of the UK textiles industry," says Mr Costa. "Our experience shows there are niches that are still active."

Virginia Marsh

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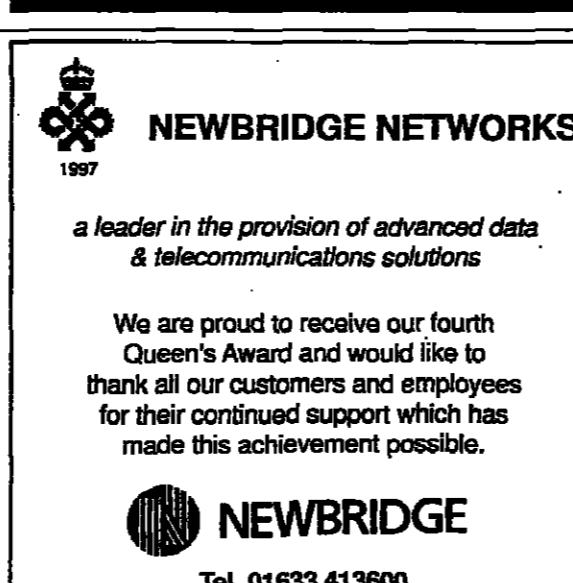
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THE QUEEN'S AWARDS FOR INDUSTRY 1997

AWARDS FOR TECHNOLOGICAL ACHIEVEMENT • by Andrew Baxter

Practice makes perfect

Good ideas are not enough. Proof that they can make money is crucial

Winning a Queen's Award for Technological Achievement is no mean feat. It is not just a question of coming up with a good idea and firing off an application form to the awards office in London.

The judges are looking for "a significant advance, leading to increased efficiency, in the application of technology to a production or development process in British industry, or the production for sale of goods which incorporate new and advanced technological qualities". Crucially, there has to be a practical application in industry, and an award is made only when there is evidence that an innovation has achieved commercial success.

So it is not surprising that just 16 winners have been announced - the same number as last year - out of 278 applications, up from 251 in 1996. Yet, if the criteria are tough, British industry has again risen to the challenge.

The statistics illustrate the broad, diverse base on which innovation is built in the UK. It is not the same old crowd winning each year - this time seven of the winners have never received a Queen's Award before and four have won a technology award at their first attempt. Three more are current holders (an award is held for five years from the date of its announcement).

Now do large companies monopolise the technology awards. The biggest in this year's list is GPT Public Networks Group, but five of the other companies in the list have fewer than 50 employees and two - Integrated Display Systems and Scapa Group's Advanced Products Division - are among the five smallest of all this year's 134 award winners.

The GPT business deserves a special mention as it has also won an export award this year, just as it did in 1996. The technology award was for the development of a family of SMA multiplexers - the equipment which enables voice and data traffic to be carried at high speed over optical fibre "superhighway" networks. The multiplexers lead to more efficient use of the network by consolidating the traffic into higher speed streams than was possible previously - a single optical fibre can carry 30,000 simultaneous phone calls or 48 broadcast-quality TV channels.

Percell Group, based in Newport, Gwent, has also "done the double," with technology and export awards for its innovative Tellermate machines, which count banknotes and coins. And an extremely rare achievement has been notched up by Hampshire-based Snell & Wilcox - two technology awards in the same year.

The Queen's Awards for Technological Achievement 1997

Name	Location	Product or process
Amchem Company	Birmingham, West Midlands	System for improving performance of microhole EDM machines
Amersham Life Science (Amersham International)	Little Chalfont, Buckinghamshire	Solid phase scintillation assay technology
Aspect Vision Care (Manufacturing Division)	Southampton, Hampshire	Synchronised moulding of contact lenses
Electrocraft Laboratories	Liss, Hampshire	Television test pattern generators (Jointly with Snell & Wilcox)
GPT Public Networks Group	Coventry, West Midlands	SMA synchronous multiplexers
ICL Explosives Europe	Chesterfield, Gloucestershire	ICG 350 series vertical drum scanners
Integrated Display Systems	Walsall, West Midlands	"Handibulk" system for mobile manufacture of bulk emulsion explosives
Percell Group	Cheltenham, Gloucestershire	Ball tension measurement equipment
Racial Avionics	Wigan, Lancashire	Telemetry, electronic money counter
Scapa Group - Advanced Products Division	Newport, Gwent, Wales	Telemetry, satellite communications (SATCOM)
Snell & Wilcox	Stockport, Lancashire	Porous composite membrane constituent of paper machine press cloths
Snell & Wilcox	Petersfield, Hampshire	Large screen display optimiser
VLSI Vision	Edinburgh, Scotland	Television test pattern generators (Jointly with Electrocraft Laboratories)
Whipp & Bourne	Rockdale, Lancashire	Minature Complementary Metal Oxide Semiconductor (CMOS) cameras
Zeneca LifeScience Molecules	Manchester, Greater Manchester	Point mounted auto-reloader

Overall, this year's technology awards are more of a mixed bag than those of 1996, when half of the 16 were healthcare related.

This year, one healthcare connection is provided by Aspect Vision Care's manufacturing division. The Southampton company has developed a process for developing contact lenses, UltraSYNC, which overcomes problems of shrinkage and distortion in earlier methods.

The process produces a perfect optical surface and edge within the mould, says the company, whereas previously the lens edge would have required further machining or polishing, often causing damage.

Then come two awards that are biotechnology-related, even if their applications are as far apart as their originators' position in the alphabet.

Amersham Life Science, part of Amersham International, gains the award for the development of scintillation proximity assay technology and cytostar-T microplate technology. Both systems can be used to study and rapidly screen the effects of potential new drugs on important biological target molecules.

This is an increasingly important area in the pharmaceutical industry. A decade ago the industry was screening 10,000 compounds a year, now it is screening the same number daily, and even this effort is expected to rise sharply because of the new era of gene-specific diagnosis and the availability of natural product libraries. So there is an acute need for rapid, automatic screening technology, and Amersham was first in the field.

Zeneca LifeScience Molecules, meanwhile, has developed a novel biotechnology-based process to produce S-2-chloropropanoic acid (SCPA).

The company is a big supplier of this chemical intermediate, which is used by agrochemical companies to make an important class of crop protection and garden weed control products.

The process involves the fermentation of a novel recombinant organism to produce a unique enzyme, which in turn is the key ingredient for a biotransformation to produce the fully active SCPA. As a result, the herbicide can be cost-effectively manufactured in their single "chiral" form, rather than as a "racemic" mixture, enabling agrochemical producers to recommend sharply reduced application rates.

The electronics and communication sector is another frequent winner of technology awards. Apart from GPT and Snell & Wilcox, Racial Avionics is also honoured, for its work in airborne satellite communications (Satcom). These systems allow airline passengers not only to make in-flight phone and fax calls anywhere in the world, but also to link up their laptop computers to the Internet to retrieve information or send e-mail messages while in the air. Racial pioneered development of the technology, introduced the first commercial Satcom system in 1989, and - working in a global teaming arrangement with Honeywell of the US - has supplied more than 65 per cent of all systems in service worldwide.

Edinburgh-based VLSI Vision also receives the award for the development of CMOS image sensors, which combine image sensing and processing on the same VLSI microchip. The sensors are generally smaller, cheaper and have lower power consumption than alternative technology, and this has opened up new markets for a wide variety of customers. The technology features in a recently-released black-and-white video camera for children, developed by Tyco, in a range of desktop videoconferencing cameras, and in a digital stills camera currently in development.

Andrew Baxter

PROFILE Snell & Wilcox

Standard bearers

If you've got the knowhow, why not be ambitious? "Our objective is that Snell & Wilcox should mean for picture quality what Dolby has become for sound," says the Hampshire-based winner of two 1997 technology awards.

S&W, whose headquarters are in Petersfield, has already won a technology award in 1985, and picked up export awards in 1990 and 1994. This year's achievement, however, eclipses its previous feats and underlines its expertise in a specialist area of electronics.

The company focuses on technology to optimise picture quality and provide a bridge between the otherwise incompatible standards and formats that proliferate in the broadcast TV, video, satellite, cable, film and image communications industries.

S&W is a privately-owned, medium-sized company in a sector with some 15 competitors worldwide, including big names such as France's state-owned Thomson group. It does not disclose turnover, and in a corporate sense tends to hide its light under a bushel.

The 22-year-old company will say, however, that its most dynamic period of growth has been since 1988, when it put in place an ambitious development and investment programme aimed at making it a leading force in the world communications industry of the 21st century.

It exports about 80 per cent of its products, all of which are made in the UK, and is represented in 100 countries with its own offices in all the big markets.

The international sales drive is supported by substantial investment in research and development - between 25 and 33 per cent of annual turnover, even during the last recession.

Also, unusually for an engineering-led company, its product marketing is high-profile and co-ordinated. S&W is one of the broadcast industry's top three advertisers in the English language international trade press.

The two products for which it has received awards this year were launched in 1994. The Supervisor is used to improve the picture quality of large-screen displays

seen at events such as rock concerts, product launches or party political conferences.

It creates additional picture information to overcome the "venetian blind" effect caused by the magnification of the TV picture's line structure, and boosts the rate at which the picture is scanned on to the screen to eliminate the perception of flicker. "It's one of those products that people were screaming out for," says S&W. "Nobody else could do it for the price."

The second product was developed with sister company Electrocraft Laboratories, based in nearby Liss, which also receives a technology award. It is the Kudos TPG20/21 test pattern generator range, used by broadcasters to ensure that their output conforms to the technical standards laid down for each transmission area. Unlike previous test pattern generators, it was designed to work on all the global transmission standards - and, aptly, has itself become an industry standard, says S&W.

Andrew Baxter

PROFILE Martin-Baker

The sky's the limit

A family-owned company dominates the world market for ejection seats

Few British exporters have succeeded in winning a world market share of 75 per cent. Fewer still have done so in defence, where US groups tend to secure the lion's share of international markets. But Martin-Baker, a family-owned company near Heathrow airport, has an unchallenged lead in the manufacture of a key part of the modern warplane - the ejection seat.

Even though the company has been under pressure in recent years from defence spending cuts, it has maintained its dominance of the market.

Ken Yates, programme manager, says this is due to a continual emphasis on enhancing the safety of its seats through technological innovation.

Martin-Baker employs 800, spends about £5m a year on

research and development, and achieved a turnover of £5m in the year to March.

The business was founded as an aircraft maker in 1934 by James Martin, a self-taught mechanical engineer, and Captain Valentine Baker, a leading test pilot. While its designs were widely praised for their technical skill, the company never built a commercially-successful machine.

After Captain Baker was killed in 1942 flying one of the company's prototypes, Mr Martin turned his attention increasingly to aircraft safety.

His first ejection seat, devised in the last months of the second world war, was first tested by Benny Lynch, one of his fitters, in 1946 and was soon being installed in British and American jets.

The first life to be saved was that of Joe Lancaster, a test pilot flying the Armstrong Whitworth Flying Wing, an experimental aircraft, on May 13 1946. Since then Martin-Baker seats have

saved 6,577 people. The company is now run by Mr Martin's sons, John Martin and James Martin, the joint managing directors, and Denis Burrell, their cousin, who is the company's chairman.

The company passed its original designs to American defence

contractors in the 1940s in the hope of generating orders.

US makers decided instead to compete, but they have never overtaken Martin-Baker's commercial lead. Mr Yates says it has been consistently able to show a better safety record than its competitors.

Stefan Wagstyl



1997

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THE QUEEN'S AWARDS FOR INDUSTRY 1997

ENVIRONMENTAL ACHIEVEMENT • by Leyla Boulton

Green is the colour of money

The 1997 winners explode the myth that being kind to the environment is expensive

The Queen's Awards for Environmental Achievement this year provide ample support for the thesis that helping the environment can help company profits too.

This is clear from most of the seven products and processes to receive the award. Their success provides a counter to the widespread view, particularly among smaller businesses, that being kinder to the environment costs more money.

The first and often most obvious opportunity for "green" cost savings is to cut down on waste, the disposal of which is becoming increasingly expensive.

Since last October waste sent to landfill sites has been subject to a tax and this has helped to focus minds in the UK on finding ways to cut disposal bills, either by changing production methods or by finding alternative uses for by-products.

The latter route has been followed by Laporte's absorbents division in Cheshire

The Queen's Awards for Environmental Achievement

Name	Location	Product or Process
Autoflame Engineering	London SE8	Microprocessor based fuel/air ratio control, incorporating exhaust gas analysis and parameter trim for industrial and commercial burners
Cleveland Cascades	Middlesbrough, Cleveland	Washing chute that eliminates dust emissions and minimises degradation and segregation of bulk materials
European Gas Turbines	Lincoln, Lincolnshire	Dry low emissions combustor for EGT industrial gas turbines
Industrial Gas Turbine Group	Stoke-on-Trent, Staffordshire	Recycling of ceramic industry waste
H & R Johnson Tiles	Widnes, Cheshire	Ferral - a new water purification coagulant minimising waste
Laporte - Absorbents (Europe)	Coventry, West Midlands	Dry Low Emissions combustion system for industrial aero-derivative gas turbines
Divine	Pencoed, Mid-Glamorgan, Wales	Development of an environmentally friendly machine soldering process
Rolls-Royce Industrial & Marine Gas Turbines	Manchester	Removal of VOCs from the printing process
Sony Manufacturing Company United Kingdom		
Varn Products Company		

which has won the Queen's award for Ferral, a water purification coagulant which is made from a waste product from clay processing and is used to coalesce impurities in raw water processed for drinking supplies.

"The development of this patented process not only avoids waste disposal to landfill but also provides a cost-effective solution to water industry problems," says the company, founded a century ago in Shipley in Yorkshire, by Bernard Laporte, a Belgian-born entrepreneur.

A similar approach is

found at H & R Johnson Tiles, a subsidiary of Norcros. The Stoke-on-Trent based company wins the Queen's award for developing a method of turning scrap from 12 pottery tableware manufacturers into high-quality ceramic tiles. The process, developed two years ago has resulted in H & R Johnson mixing 3,500 tonnes of scrap pottery every year with its own waste.

Such recycling not only saves a large volume of waste from being tipped into landfill sites but also reduces the volume of raw materials the company

needs to bring in from the south-west of England by road.

Sony Manufacturing UK, which produces television sets, display monitors for computers, and cathode ray tubes worth £1bn a year, reckons it annually saves £300,000 in labour and raw materials thanks to its home-grown soldering process.

By using nitrogen in the soldering of circuit boards, Sony's two Welsh plants at Pencoed and Bridgend in Glamorgan have been able to cut back on the use of solvents, flux, power and sol-

der. The process, which is being emulated at other Sony plants around the world, was developed by a team of engineers looking for ways to improve Sony Manufacturing UK's environmental performance.

"By improving environmental issues we've saved a lot of money as well," says a spokesman.

The remaining winners of awards for environmental achievement demonstrate how, in the face of stringent pollution standards, the reduction of air pollutants is becoming increasingly

important for business.

Cleveland Cascades, a Middlesbrough-based subsidiary of Minorco, the US multinational, has exported a chute that minimises dust and degradation of bulk materials - ranging from coal to sugar - to countries around the world.

A microprocessor-based control system designed to reduce fuel consumption and minimise harmful air pollution emissions from combustion won Autoflame Engineering in south London an award.

Fellow winner, European Gas Turbines in Lincoln has a low emission combustor unit for industrial gas turbines that reduces emissions of nitrous oxide pollution by 35 per cent.

Similarly, Rolls-Royce's Industrial and Marine Gas Turbines division at Ansty near Coventry says that its dry low emissions system is used on a range of its industrial gas engines to reduce "dramatically" emissions of nitrous oxide and carbon monoxide.

Since its introduction after a four-year multi-million development programme, the system has won nearly £100m in new business, illustrating how efforts to safeguard the environment are more often than not able to pay for themselves.

PROFILE Matmos



A '60s classic: Cressida Granger, joint managing director of Matmos with the lava lamp

Ashley Ashwood

Psychedelic comeback

In the classic 1960s science fiction movie *Barbarella*, which gave the world Duran Duran and Jane Fonda's famous weightless striptease, the Matmos was the bubbling, subterranean liquified lifeform that pervaded all elements of existence.

Now, Matmos is the company that is making a name for itself as the producers of another '60s classic - the lava lamp.

Previously sought after largely only by museums of contemporary culture and by television prop masters, the pseudo-hip design icon has made a commercial comeback thanks to Cressida Granger and David Mulley.

The two former antique dealers are joint owners of Matmos and over the past seven years have reinvented the lava lamp concept, using clever marketing and effective factory-to-client distribution to carve out a niche for the product among a new generation.

Today, Matmos produces more than half a million of the lamps a year. The fact that about 85 per cent are being exported, primarily to Europe but also to Japan, has landed the company its Queen's Award, and confirms the expanding market for retro-kitsch among '60s children with money to spend.

The original lava lamp, in which coloured blobs of oil or wax rise to the top of a glass tube by being heated by a lightbulb, was invented in 1963 by former RAF pilot Edward

Craven-Walker, who - according to legend - adapted the idea from an unreliable egg-timer he was trying to perfect.

After the psychedelic boom of the late '60s - which saw the lamps sold through design stores such as Habitat but also in mainstream retailers like Selfridges - bottomed out, Craven-Walker's factory in Poole, Dorset, was producing just over a thousand of the lamps a year.

In 1990 Granger and Mulley took over the management of the company and began selling the lamps - initially at market stalls, but then by targeting UK and European retailers.

The company's turnover has doubled year on year for the past six years and it employs about 50 people.

Matmos sells a range of lava lamp models: the classic Astro, the Jet, the rocket-shaped Telstar and Lunar models. Prices range from £39.50 to £295. They also produce larger wall-based room dividers. Orders to continental retailers are handled in London and dispatched direct from the Poole factory.

This year, the company co-sponsored the Matmos Floogebinder Challenge Award, a design competition for slightly offbeat but potentially mass-marketable inventions.

Appropriately, the prize for the contest winner was a giant lava lamp.

Steve McGookin

PROFILE Oasis Art & Craft

Painting by numbers

The origins of Oasis Art & Craft, a leading manufacturer of painting-by-numbers sets and paint boxes that is winning an export award for the first time, go back to a shed in the backyard of Chris Bagnall, the company's joint managing director.

Formerly an industrial engineer for a press work company, Mr Bagnall started his own press work and components operation in 1979 with his partner John Yeomans. In 1983, the couple bought out one of its clients, Oasis Arts & Crafts, from its owner who was looking to sell the business.

"We thought that people would have more leisure time and that painting would never go out, even with computers," says Mr Bagnall.

The company has bought other smaller businesses along the way and has now expanded from an eight-person operation in 1983 to a business with 200 employees. Sales this year are expected to grow 25 per cent to about £10m.

Oasis is Europe's largest manufacturer of painting-by-numbers sets

and children's paint boxes. It sells to 60 countries, the most important markets being in Europe and North America.

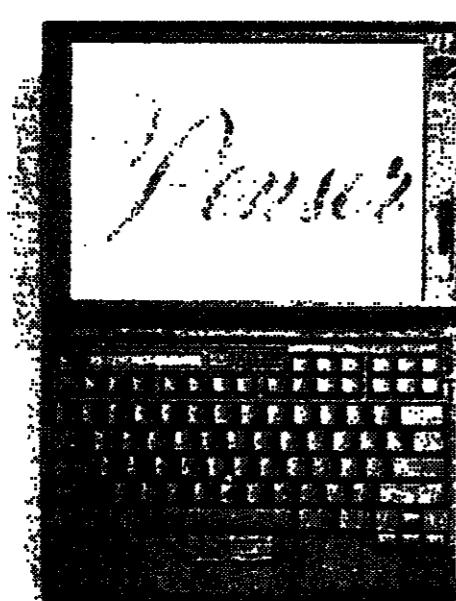
Germany is one of its largest export markets, and has seen a jump in growth ever since the fall of the Berlin Wall. However, it is also the most competitive, hence the most difficult, says Mr Bagnall.

He says its Asian market is also expanding rapidly. It entered 15 new markets during the period of the application and has doubled its exports, which exceeded 60 per cent of total sales.

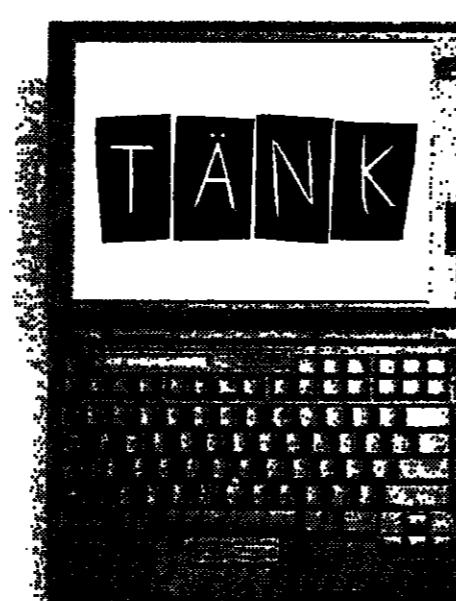
The company has distribution networks in countries that are hard to enter, including Russia and Bangladesh. Another strength is its packaging, produced in the language of the country in which the sets and paint boxes are being distributed.

Mr Bagnall says 98 per cent of products are made from UK based materials with the remaining 2 per cent imported from Europe. All of its products are manufactured in the UK.

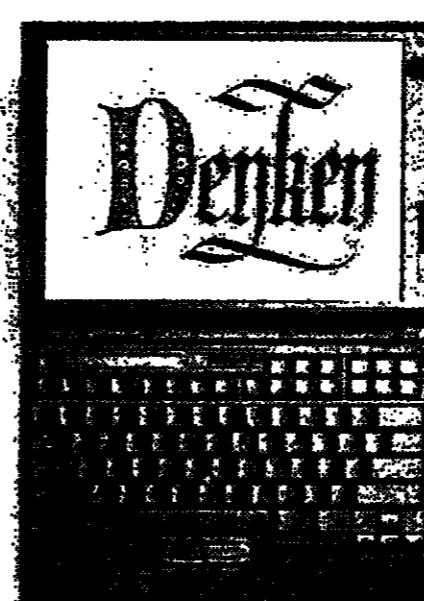
Emiko Terazono



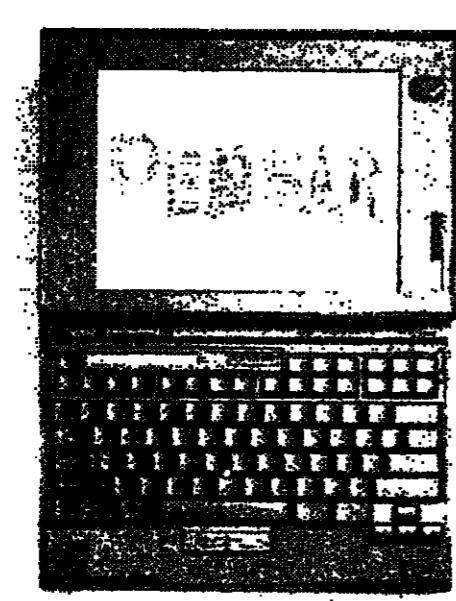
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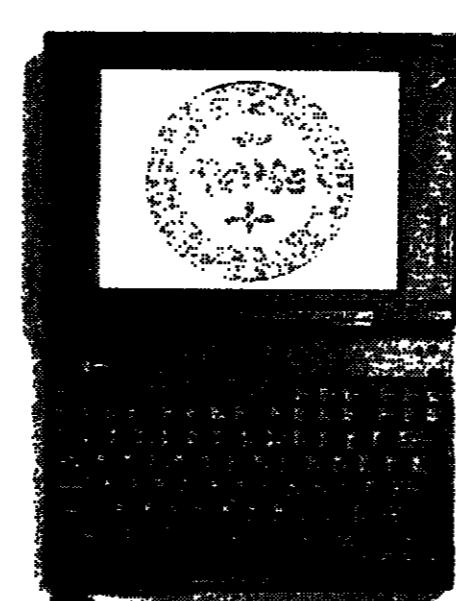
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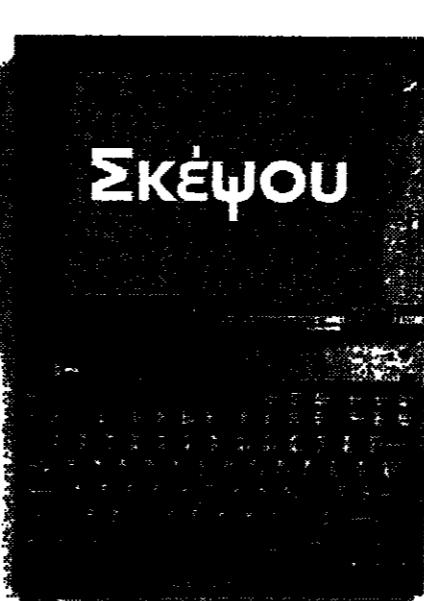
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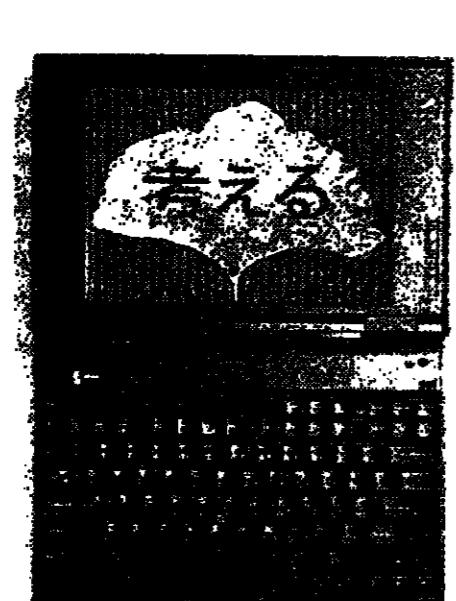
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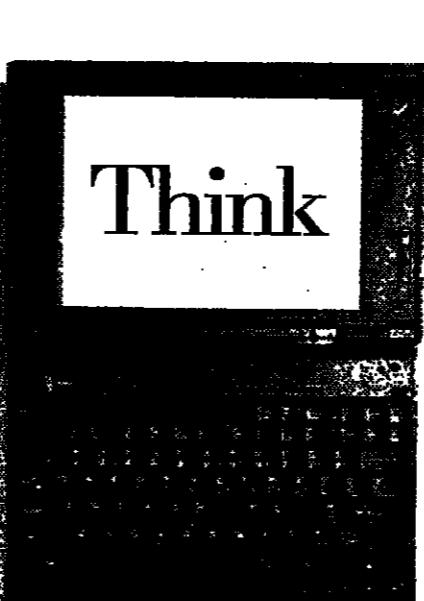
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THIS WEEK

Red Socks is the affectionate nickname for Karel Van Miert, the European Union commissioner who handles competition policy. Van Miert likes strong colours in stockings and ties, and what's more he happens to be a socialist.

But what makes the commissioner's soubriquet so apposite is that he has a habit of seeing red when things do not go smoothly. He is a bit of a table-thumper, a politician who does not hide his passion when he feels matters of principle are at stake - like state aid to industry.

Last week, the European Commission published a report revealing that between 1982-94 state subsidies in the EU rose to Ecu 95bn (265.5bn), almost twice the annual budget of the Common Agricultural Policy. Half the total - Ecu 43bn - went to manufacturing; the rest to agriculture, transport, fisheries, and coal mining. The trend was "very likely" to be confirmed by figures for 1994-96.

Germany, which touts its pro-European credentials more than most, is the bad boy when it comes to state aid. The authorities dispensed hand-outs worth Ecu 17bn, the lion's share going to former communist east Germany which received Ecu 13.2bn.

In Denmark, France, Germany, and Ireland, the amount of state aid rose and accounted for almost 60 per cent of the total volume of aid to manufacturing industry. Aid levels were lowest in the UK, Spain and the Netherlands.

Strikingly, the survey revealed that the four poorest EU member states - Greece, Portugal, Spain, and Ireland - saw their share of the total fall from 9.3 per cent in 1990-2 to 8.3 per cent in 1992-4. By contrast, the big countries - France, Germany, Italy, and the UK - saw their portion rise from 52 per cent to 55 per cent during

the same period.

The notion that rich countries are cheating the poor in the use of state aid might be termed "Sheriff of Nottingham" economics - and it deserves an explanation.

First, the EU's artificial respi-

rator is still supporting "brain-dead" industries such as coal mining, crude steel making, low-tech textile factories involved in weaving and dyeing, and second-class shipbuilding.

"Shipbuilding is fine provided it's high-tech like Caribbean cruisers or Arctic ice-breakers," says Zbigniew Tyskiewicz, secretary general of the Unicec employers federation. "but the days of building tramp steamers are over."

Second, the commission is vulnerable to strong-arm tactics from member states, particularly when France and Germany forge alliances which end up rewarding success.

Thus, the Germans were nowhere near so critical as the British about massive state aid to *Air France* or *Credit Lyonnais* bank, the reason being that they expect similar French latitude

regarding subsidies to former east Germany.

Third, the pressure on governments to introduce fresh subsidies to select industries is growing because of mass unemployment in Europe. The French government's latest plan to bolster the textile industry was a notable example. Though Van Miert blocked the French attempt, he was attacked for undermining a good faith strategy to cut the dole queues.

Fourth, southern countries such as Spain and dispensing less state aid because they are desperate to reduce public sector deficits in order to meet the targets for economic and monetary union. Privatisation and streamlining of the public sector, which began under Felipe Gonzalez, the former Spanish socialist premier, are both accelerating under the centre-right government of José

Maria Aznar.

Fifth, Germany is likely to lead efforts in the next few years to "repatriate" power to police state aid, at the expense of the authority of the commission.

High German labour costs are encouraging German industry to invest overseas, forcing the Länder to take counter-measures through subsidies. Hence, the idea that the regions should judge the level of subsidies.

In fairness, Germany underestimated the cost of modernising the former command economy of east Germany. As Tyskiewicz says, there is a case to be made for approving subsidies for a limited time to allow industries a breathing space to restructure.

State aid is also rising because governments are using the subsidies to prepare state-owned entities for privatisation. Eni and Iri, the Italian industrial holding

companies, fall into this category; arguably so do *Credit Lyonnais* and *Air France*.

The most pressing reason for reducing the drip feed of state aid is the EU's planned enlargement to central and eastern Europe. For without tighter controls, the western Europeans will be hard pushed to preach to the former communist countries.

Beggar-my-neighbour policies would follow; the single market would soon turn into a sham.

Hence the commission's latest proposals to streamline state aid rules. Brussels would waive the need for advance notice of schemes which provide aid of a general nature, say, environmental use small businesses, training research, or energy conservation, if these "contribute to EU objectives"; but the Commission insists on tightening rules on the rescue and restructuring of enterprises.

Van Miert will present his plans to EU industry ministers in Luxembourg on Thursday. Red socks and all, he's raring to go.

Table-thumper targets state aid

DATELINE

Brussels: the EU commissioner for competition policy is about to present proposals to streamline subsidies, writes Lionel Barber

FT GUIDE TO:

THE ASSEMBLY LINE

Ford is planning a "virtual" assembly line. When did Henry Ford invent the real thing? The concept dates back to October 1911, when Henry Ford, an entrepreneurial young engineer, demonstrated in his factory for the new Model T that production processes could be accelerated immeasurably compared with the craft-based techniques of the nascent US motor industry.

What was the principle behind it? Ford grasped that any industrial process could be performed much more efficiently if the task came to the worker, instead of vice versa. Rather than being gradually put together by a small team of craftsmen, often in different places, he inaugurated the "assembly line". In essence no more than a long factory, his vision was that products would gradually take shape as they progressed along the line with workers performing specific functions on the way. Mass production was born.

Which other industries use it? The concept applies as well to microphones as motor cars. Instead of one person - or a small team - making an entire product, assembly takes place in stages, with the same people doing the same jobs on each item. Virtually every product manufactured in high volume is now built on some form of assembly line. Ford's original plant, by the way, now lies derelict in suburban Detroit.

What's it like to work on an assembly line? Pretty boring. Many factories are pretty noisy and smelly, although newer ones tend to be more user-friendly. Working on a production line adds repetitiveness to the mix. As line speeds accelerated and the infamous "time-and-motion study" came into vogue in the 1950s, stress was often added to boredom as companies tried to establish "scientifically" the fastest speed at which given tasks could be carried out.

And some assembly line work, notably in heavy industry, requires both physical strength to fit parts and uncomfortable movements to reach into cramped spaces. In recent years, however, employers have learned there is more to assembly lines than maximising output.

So what efforts have been made to improve conditions over the years? Considerable progress has been made to take the pain out of assembly line work. In the motor industry, heavy machinery now tilts, lifts or carries vehicles so workers no longer have to stretch or bend so much.

Teletexting has also been introduced to reduce repetitiveness. Team members still perform repetitive tasks, but they can at least swap jobs among themselves. Employers have found that making the job more interesting has raised quality and productivity standards by creating a greater sense of involvement.

Workers at car plants are also actively encouraged to suggest innovations to simplify their jobs and make them more comfortable. Many assembly lines now have gadgets devised by team members to make their life a little easier.

What role do robots play in the modern assembly line?

The invention of increasingly sophisticated computer-controlled machine tools in the past two decades has transformed many factories. Robots are perfect for repetitive tasks, such as welding, where there is a degree of risk as well as plain physical difficulty. Correctly functioning robots can not only work faster and more accurately than humans, they don't complain or go on strike.

But manufacturers have learned robots are not a panacea for all assembly work. While ideal for high-volume repetitive functions, they are infinitely less flexible than humans. Reprogramming robots - say for a new car model - takes time and money. Robots are also very expensive to buy and install - that is why they are not found in many low-wage countries.

Assembly lines may work for mass production, but surely they don't work for low volume quality products such as Rolls-Royce?

Actually, Britain's best-known carmaker is installing its first assembly line at its Crewe factory. Its introduction may be decades behind Henry Ford's, but the company has decided even a low-volume manufacturer can benefit by simplifying the way it builds its products.

What is Ford up to with its "virtual" assembly line?

Each new model in the car industry requires immense investment in new tooling. Model changes also tend to be used to as a convenient trigger to re-organise or modernise a production line. However, there is always some trial-and-error involved among even the most experienced manufacturers.

By using sophisticated computer models, Ford hopes to mimic the physical effects of altering a production line before bringing in the cranes. It's a bit like going to a kitchen outfitting specialist who uses a computer to sketch out an ideal layout before reaching for the hammer and nails.

Does this mean the end of the line for the conveyor belt?

Unfortunately not. "Virtual" technology is used increasingly in manufacturing to assess effects of change, prevent errors and save money. But until we enter a virtual world, someone has to work on a production line to make the actual items.

Haig Simonian

Peter Norman · Economics Notebook

German reforms inch forward

Past experience of the Bonn coalition's legislation teaches caution

Watching Germany trying to reform its economy can be a frustrating business.

Take the government's tax reform plans. What began as a radical bid to cut tax rates sharply and weed out tax privileges has become mired in a seemingly endless wrangle between the ruling coalition and the opposition Social Democrats.

Other initiatives, however, seem more promising. In particular, plans to modernise Germany's financial sector and company law have so far made progress without attracting overt opposition hostility.

Hundreds of pages of draft legislation have spewed out of the Bonn finance, economics and justice ministries during the past 12 months. The reform plans include:

• Regulation of the so-called grey capital market to stop unscrupulous letter box companies siphoning off billions of DMs from naive investors.

• A third financial market promotion law containing more than 100 detailed deregulatory measures to strengthen the market for risk capital and the scope of fund managers to invest.

• Amendments to the law governing joint stock companies. These changes seek to encourage greater professionalism in company boards, give shareholders more accountability, and put limits on the influence of banks where these hold more than 5 per cent of a company's capital.

Together, the reforms are intended to make Germany's financial sector ready for the euro and ultimately create more

jobs. They are evolutionary rather than radical; in general, they are enabling bills that create a revised framework for action rather than lay down the law.

But if the reforms pass parliament and take effect as planned by the beginning of 1998, they should, according to Hermann Reinsperger, chief economist of BHF-Bank in Frankfurt, be "a leap in the development of Germany's financial system".

To be sure, experience with enabling legislation in other sectors teaches caution. Last November's modest liberalisation of Germany's restrictive shopping hours, for example, has so far failed to spur the hoped-for increases in demand, economic growth and employment.

Moreover, the Bonn coalition's decision to modify the pay-as-you-go state pension system, rather than move towards a funded system, means Germany is unlikely to develop pension funds with the investing power of those in the US or the UK.

On the other hand, growing uncertainty about the security of state pensions and plans gradually to reduce them as a percentage of average earnings should enable fund managers to exploit profitable niches. The accompanying chart, which compares stock market capitalisations after last year's successful DM20bn (57bn) Deutsche Telekom flotation, shows there is also scope for catch-up in markets for risk capital in Germany.

Many of the planned reforms are simple. But they could have far-reaching effects. Among the

proposals in the financial market promotion bill is one to reduce the period of liability during which an investment adviser can be sued for bad advice from 30 years to three years.

The existing rule, rooted in the civil law code of the 18th century, helps explains why young and innovative companies have problems raising capital in Germany. All but the bravest advisers steer clients into low risk investments such as government bonds or bond funds.

Similarly, while not overturning existing structures, the bill could bring important changes in attitude. So far the bill has attracted attention outside Germany because it will allow companies to buy back up to 10 per cent of their own shares. But this is only part of an effort to increase the rights of shareholders and

intervened and brokered a merger of the two groups' steel interests instead.

Yet the draft bill to reform joint stock companies gives tacit encouragement to takeovers. Its authors justify abolishing restrictions on shareholders' voting rights in listed companies by arguing that such limits "are damaging to the capital market because they hinder takeovers and speculation about possible takeovers" and protect company managers, enabling them to resist the influence of large shareholders.

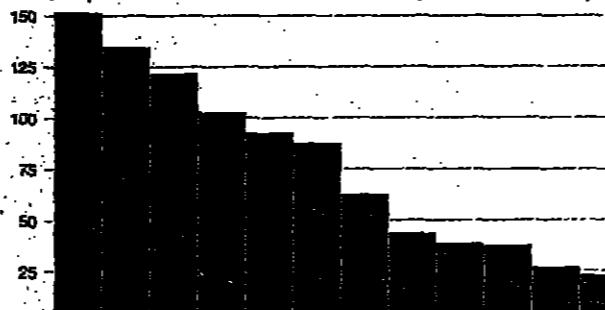
At another point, the text explaining the bill talks of long term growth in shareholder value. It argues that pressure on management from the capital markets should be "perceived as an opportunity for our (German) companies" because it "forces a strengthening of profitability, accelerates necessary restructuring, contributes to increased competitiveness and so secures Thyssen".

None of these points were mentioned by the politicians, including cabinet member Norbert Blüm who weighed against Anglo-Saxon business methods and "wild west" tactics after news of Thyssen's planned bid for Thyssen.

But this can only be good news for supporters of financial market and company reform in Germany. It must mean that the corporatist, senior figures in the Bonn coalition are paying as little attention to these details of their reforms as the opposition parties, raising the chances of their becoming law.

A willing state government in North Rhine Westphalia quickly

Market capital of domestic shares as a % of GDP (end November 1996)



redress the power balance between the clubby cliques in Germany's executive and supervisory boards and shareholders at annual meetings.

It also takes a cautious stab at the power of Germany's banks by proposing that a bank should not exercise the proxy voting rights of shares held on behalf of clients when it holds more than 5 per cent of a company's capital.

All these proposals were made before last month's aborted hostile takeover by Krupp-Hoesch, the Essen-based steel and engineering conglomerate, for its big rival Thyssen.

Krupp's reliance on borrowing to finance its bid, fears that it would break up Thyssen, and the perceived threat to thousands of jobs in the former industrial heartland of Germany triggered outrage in Germany.

A willing state government in North Rhine Westphalia quickly

which accounts for about half the group's \$4.1bn sales last year, north America and the Asia Pacific region.

Despite the sharp downturn in the semiconductor cycle last year and growing competition in custom-made, or differentiated, products - one of its strongest areas - SGS Thomson has continued to outperform the industry average.

Nevertheless, earlier this year - after the group's shares had plunged in response to his suggestion that pricing pressures might eat into first-quarter margins - Pistorio acknowledged that "many more companies than in the past" were looking at dif-

ferentiated products.

But he argued that the complexity of the skills and technologies needed to be successful in the area were likely, for a time, to help protect SGS-Thomson from this new competition.

"It is not something you build overnight", he said. "We have been working in this direction for 10 years and the pay-off is there."

Meanwhile Pistorio and his management team have had to deal with the company's changing shareholder structure. An initial public offering of 21m shares was made in December 1994 when the group became quoted on the New York Stock Exchange and the Paris Bourse.

Ten months later another 20.7m shares were sold, lifting the proportion of capital on the exchanges to 30.6 per cent.

Changes may be in store. The French government has been weighing the merits of floating more of the company's shares after the possible sale later this year of Thomson-CSF's 17.4 per cent holding in SGS-Thomson.

By a 1993 agreement, Thomson-CSF has the right to sell its shares to the other French shareholders from April 1. CEA Industrie and France Telecom, meanwhile, have the right to buy the shares from October 1.

The French and Italian industry ministers confirmed this year they attached a strategic interest to keeping the same number of shares in the company in the hands of both countries.

Pistorio emphasises, however, that changes in the shareholder register will not affect strategy.

"The fact that the shareholding changes, it doesn't touch us at all," he says.

Another challenge facing the industry veteran is the question of management succession at SGS-Thomson. He is enigmatic about the future: "I am a young man of 61; I want to retire at 65," he says.

David Owen and Paul Taylor

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MANAGEMENT

Ross Perot would not have approved: a table-tennis table in the workplace, comfy sofas, and male employees sporting ponytails and funny hats.

These props would be unremarkable at any other Internet design outfit, but at a unit of Electronic Data Systems, the US computer services giant founded by the authoritarian Perot, they are manifestations of a cultural revolution.

EDS was created in the early 1960s in the image of Perot, a leader with a passion for secrecy and order, and reflected the style of his early recruits who came predominantly from the military. Back then, dress codes were strict, with staff forbidden even to wear loafers.

It is only in the past few months that technicians at the group's data management centre in Plano, Texas, have been allowed to remove their jackets. And although it is still frowned upon to talk about salaries, it is no longer a sackable offence.

William Rabin, who worked under Perot in the 1970s and now covers the company as an analyst at JP Morgan, points to the change in culture. "That slightly sinister vision - that is a heritage that EDS will continue to have. But the EDS that I was a member of back then is dead. What EDS has been able to do is to loosen up while still retaining such as its extremely high work ethic."

The stimulus for change in the company - which now has nothing to do with Perot - springs from the growing adoption of technology.

In the 1960s and 1970s, EDS acted as a contractor managing the mainframe computers on which clients ran functions such as accounting. But it has had to learn new tricks, including management consultancy, public relations and marketing, as computer networks have worked their way deeper into businesses and governments.

The man responsible for gradually liberalising EDS is Les Aberthal, chief executive, who took over from Perot in 1986. "Our culture will track along with society and the marketplace. Our people will have to think on the outer edge of change," he says.

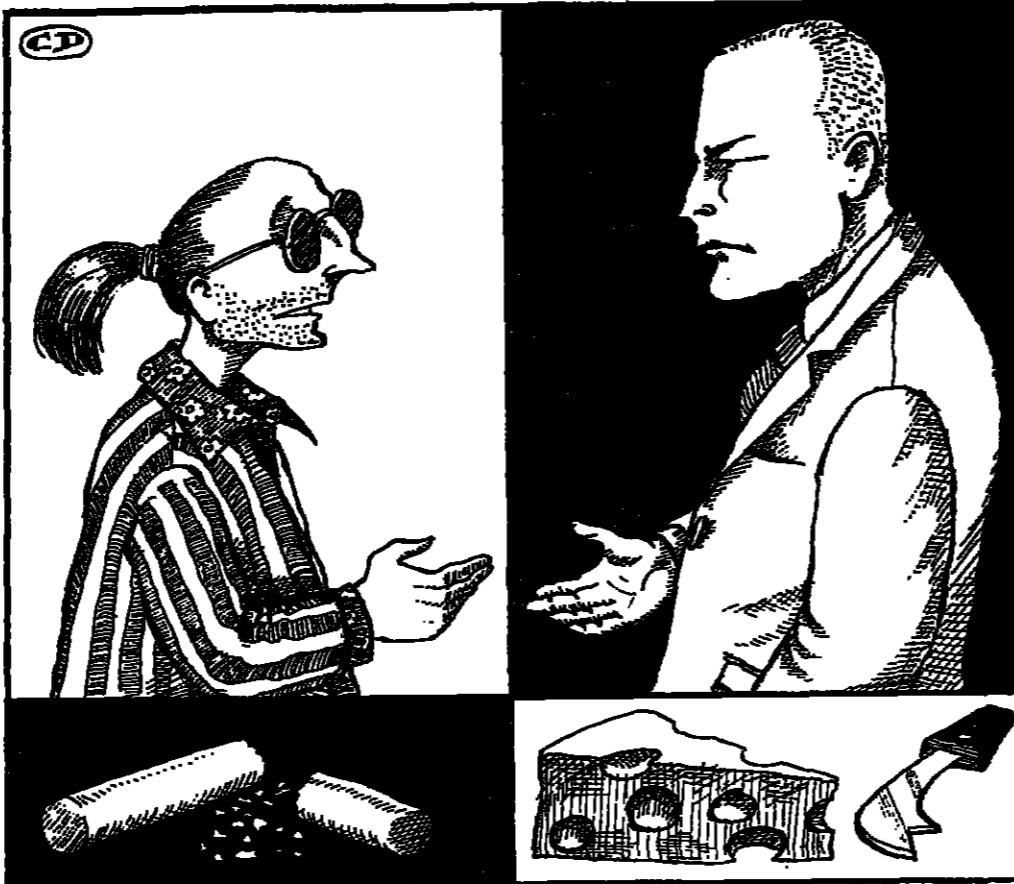
There are three main ways in EDS has had to change. To start with, entire processes such as stock management are now controlled by computer systems. It is this kind of change which is pushing EDS into closer relationships with its clients and calling for a different management style.

In the most intimate of these arrangements, which EDS calls co-sourcing, the company takes over an entire department, such as stock management or human resources, and ties its fate to its results. For example, Rolls-Royce of the UK, which is to pay EDS about £1.5bn to manage its information technology over 10 years, will reward EDS in part according to the rapidity of stock turnover it can achieve for machine parts.

A co-sourcing contract casts EDS more in the role of collaborator rather than contractor, and calls for a more sensitive negotiating style. The scope of these deals requires particularly delicate human resources management while the IT specialists traditionally employed by EDS are much in demand, it is less easy to redeploy the clerks and other office staff which EDS takes on but who are surplus to requirements.

Old dog learns some new tricks

Computer services group EDS is emerging from the shadow of its former owner, says Nicholas Denton



not just IT functions, but the administration of their entire welfare systems.

"When a company outsources, it is hailed as a great strategic move," says David Thorpe, head of Europe for EDS. "When the Inland Revenue [a UK client of EDS] does it, we have days of debate in parliament, questions about EDS, and the company is vilified and attacked," he says.

Second, governments as well as private companies are turning to outsourcing to contain spending, exposing the image of contractors to public scrutiny. This is likely to become more of an issue as, for example, states such as Connecticut and Texas contract out.

The third factor driving the remodelling of EDS is the spread of the Internet. Companies which used computers for internal func-

tions such as human resource management now increasingly view computer networks as a means of reaching customers. This requires computer services companies to develop marketing and design skills they have not previously had.

There are those who believe EDS is incapable of being sufficiently nimble to deal with these new threats and opportunities.

"Because we have been in the business for a long time, we're viewed as being inflexible mainframe bigots and it is just a mat-

ter of time before a guy pulls a trapdoor and we are history," jokes Jeff Heller, EDS president. But the company has done its best to prove these assumptions wrong.

In 1995, it set up an Internet and New Media unit, which now includes about 300 existing employees and more than 30 new staff. There is a relaxed clothes code at the unit: Mondays and Fridays are dress-down days for the department as a whole, and anything goes at the new CIO design outfit, where the table-tennis table and the wacky headgear are to be found.

The moves have already helped attract "creatives" who would never have dreamed of working for the unreconstructed EDS. Heller accepts the company may formerly have repelled talented people who did not fit the mould: "I think the culture was distinctive enough at that time that it acted as a discriminator."

Another success has been winning contracts to host clients' websites in EDS's secure data management centres - the same locations where the company has traditionally looked after clients' mainframe computers. Now EDS, bolstered by its new creative staff, is arguing to some of its 150 web-hosting clients that it can also build and maintain their presence on the Internet.

"Although people don't think of us as a particularly creative shop, we've done a good job in this arena," says Butch Winters, president of the group. Its most notable successes have been winning the Pepsi website account, and redesigning *Elle* magazine's site, previously a client of Radical Media, a trendy New York web design company.

A few showcase websites do not make a new business model and the influence of the Internet department, sealed off from the rest of the organisation, is as yet limited. Moreover, says Heller, EDS is still fundamentally made up of "real regular people".

Nevertheless, the table-tennis table and the supermodels on *Elle*'s site are signs that EDS is developing a more rounded personality.

At its Internet design office, at least, the company has exorcised the ghost of its founder. EDS, although still far from being the sensitive organisation it aspires to be, is not as sinister as it once appeared.



Wilson (left) and Tye: "we're democratic and not into hierarchy"

PARTNERS

Rugby Estates



David Tye, 44, bought Rugby Estates from Hillsborough Holdings in 1979. In 1987 Andrew Wilson, 32,

became a partner. Their company buys and develops properties. They own properties from Edinburgh to Essex, including the Brunswick Centre in Bloomsbury. Their annual turnover is £1.2m.

A lot of what we buy is in the nose, you've got to have a feel for a deal, which is something no one can teach you."

Andrews: "A lot of people in the profession have tried to emulate David's charisma and style, but few have got anywhere near it. He's well-known for saying things that other people are thinking, but wouldn't have the guts to say. He has no qualms about asking someone what salary they're on, or how much they made in their last job last year."

I would never be so direct about a personal matter, but somehow David can be. Disarming in a courteous way. He can also be extremely tenacious when he spots a deal. About 18 months ago we were walking through Covent Garden and came across an empty building in front of Belgo's restaurant. The following morning David had found the telephone number of the owner and was negotiating to buy it. We've now leased it to Pepe Jeans for a good rent.

We always try to bring out the latent value in a property, either by increasing the rent, if it has existing rental income, or selling it on. I'm happy to pick up a job David's started and see it through to the end. He gets incredibly bored with things.

Very few property companies have two people like us running the company. There is usually one person with a huge ego and everyone else is a minion. We're more democratic and not into people knowing the success of any partnership is about getting together and taking the company forward.

In a lot of companies the chief executive wants the chairman's job, whereas I know I don't have the qualities to be chairman, or the ambition."

Fiona Lafferty

Still discreet to a fault

Ross Perot casts a long shadow. EDS still suffers, to the irritation of its management, from its association with the tycoon-turned-politician, even though Perot had nothing to do with the company for more than a decade.

Perot, who founded EDS in 1962 and became synonymous with the company, sold his shares to General Motors in 1984 and left the company in 1986, when Les Aberthal took over as chief executive.

The spin-off of the computer services company from General Motors last year gave it the opportunity to establish its own

identity. Management even considered, but rejected, changing the company's name to shed its connection in people's minds with Perot.

However, the company's first year of independence has been blighted by a share performance that one EDS director describes as "piss-poor". Although the company is still the largest quoted computer services business in the world, with a market capitalisation of \$19.1bn (£11.8bn), the shares stand 26 per cent below their level of a year ago.

The management blames investors' excessive faith in the

growth of an EDS unshackled from General Motors. It also believes analysts failed to revise their expectations in spite of disappointing numbers for new business that came out in the first and second quarters of 1996. "The investing community got a little carried away when we kept telling them that things were not going to be so different," says Aberthal.

But the leadership of EDS, discreet to a fault if not as secretive as Perot, bears some responsibility. The shares have not recovered after EDS, having boasted of its rock-steady growth, abruptly warned last October of

disappointing revenues. "They took a bad situation and turned it into a disaster," says William Rabin, an analyst with JP Morgan.

At the early 1990s there was a huge demand for office space.

owner-occupation. A lot of other property companies had overlooked the fact that Essex

Man was keen to have the freehold on his shop rather than lease it from an

institution. After I sold off the units I made \$400,000 profit

and Andy and I became friends.

Unlike a lot of agents he

wasn't just trying to get a commission, he was interested in building a long-term

relationship. He gave me his professional opinion and if

Andy didn't think I should buy something, I listened to him.

It seemed silly that he wasn't working for me so I offered him a job which he turned down. He wanted to get some

institutional experience so he became an estates fund manager with Royal Insurance.

He joined me two years later.

Amazingly we've never had an argument, probably because

we're well-matched. We're both

qualified chartered surveyors,

both have degrees in land

If music be the food of love, play on



Lucy Kellaway

tered untidily all over the floor. Interesting. It would be good to know more.

Have you ever told your boss what you really think about the company and the direction it is moving in? Most people wouldn't dream of doing so, as speaking one's mind when it is full of negative thoughts does not tend to improve one's promotion prospects.

Yet good executives need to know what their underlings are thinking, and underlings generally feel better if they have an outlet for their concerns.

Pharmacia & Upjohn has come up with a system designed to get employees to air what it calls fuds - fears, uncertainties, doubts and suggestions. The chairman stands in a room of 150 or so managers who each have a computer. They are all invited to input their fuds into the system, which are beamed anonymously on a big screen. The chairman then discusses these negative thoughts in front of everybody.

How wonderful, how open. I thought as I read about this novel system in the FT last week. Yet would it really work in the average company? Even under the cover of anonymity it is hard to imagine people expressing anything more than trivial fears; if they did do so, it might cause a landslide of bitterness, leaving the chief executive wishing he had never heard of fuds in the first place.

It is one of those good ideas that may only work in the unusual companies that do not need such a thing - companies in which people already speak out without fear. In the more ordinary organisation, in which there is no shortage of fear, doubt, rumour and suspicion, the fuds system is badly needed. But were I a consultant advising the boss, I'd suggest he gave it a pretty wide berth.

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Conferences & Exhibitions to continue on opposite page LONDON

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BUSINESS EDUCATION

Industry has to rethink its strategy if it wants to recruit MBA graduates, says Della Bradshaw

The road to fulfilment

The cosy alliance between MBA students and management consultancies and investment bankers is so pervasive that industrial companies are often brushed aside when the business school recruitment season comes around.

With students often reluctant to consider industrial companies as employers, and the companies not geared up to compete with the slicker consultancies, both sides can miss out.

Industry, however, has much to offer MBAs. To begin with, it is not always the consultancies who pay the best salaries. At IMD, in Lausanne, for example, the median starting salary for its MBAs going into industry last year was \$82,000 (£56,000) compared with just \$87,500 for consultancy and \$84,300 for finance and banking. As well as decent salaries, the industrial lifestyle can also be less pressurised than that in consultancy.

More important, multinationals can often offer the sort of jobs that MBA graduates really want, says Kal Denzel, IMD's director of

admissions and career services. "Many MBAs out there would prefer to do hands-on implementation rather than strategic planning, and that's what industry offers."

David Molian, lecturer in marketing and entrepreneurship at the Imperial College management school in London, believes many students are obsessed with the idea that they can only achieve what

Many MBAs prefer hands-on implementation rather than strategic planning'

they want if they go into consultancy or banking. "Multinationals offer a much better chance of career development," he says.

The recent deployment of internal consultancies within big organisations can provide MBAs with consultancy experience as well as traditional manufacturing or head-office exposure.

Industrial companies that want to recruit MBAs often leave their involvement until it is too late, says Denzel. Because consultancies recruit for a general role within the organisation - they need another six consultants, say - they can offer jobs quickly to the people they want and sort out the details afterwards. Industrial companies usually need to fill a specific job which involves the prospective employee talking to the direct line boss, others in the team and so on - a much longer process.

Moreover, industrial companies should target the schools that are strong in the areas they need. In the UK, for example, Molian cites Cranfield as being particularly strong in logistics. Warwick in manufacturing, Strathclyde in corporate marketing and Imperial in innovation and technology transfer. "The days of the generic MBA are long past," says Molian.

And while the bright young analytical MBA might be the bread and butter of consultancies, more mature students with greater experience might be the order of the

day for industrial companies. Denzel believes it is no coincidence that at IMD, where students have an average age of about 30, 60 per cent of graduates opted for a career in industry last year, with just 25 per cent going into consulting and 15 per cent into finance.

Once an MBA is on board it is important to manage their expectations, academics advise. That way they will help attract other MBAs to the company.

Industrial companies that miss out on initial recruitment may do



Consultancies and banks are still the biggest recruiters of MBA graduates

NEWS FROM CAMPUS

US body extends its territory to Europe

In a move to gain greater global visibility, the Ecole Supérieure des Sciences Économiques et Commerciales (Essec) has become the first school outside the US and Canada to apply for and be granted accreditation by the American Assembly of Collegiate Schools of Business, writes Victoria Griffith.

"The Essec considers it essential that European business education is recognised on the international level," says Maurice Thevenet, the school's director.

Thevenet hopes the qualification will help the school attract more international students and raise the standing of Essec's alumni.

The assembly grants accreditation to 330 US and Canadian business schools. The recognition is the benchmark that employers and business school applicants use to assess the quality of education at any institution.

Essec is located outside Paris and enrolls about 2,500 students. Essec: France, 1 3443 3104

Pacific Rim for prime students

All 250 MBA students at the university of Southern California's Marshall school will spend four weeks in China, Mexico and Japan as part of a Pacific Rim education programme.

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The visit will be preceded by two weeks studying the background to the area and be followed by eight days of on-site projects.

USC: US, 213 742 2215

Business hits the breakfast zone

Yesterday saw the first in a series of chatty business television programmes intended to help small and medium-sized companies to improve competitiveness.

The Business Caf, which runs every Sunday morning in the UK, was developed by the Open University and the BBC. The accompanying website will carry the stories and in-depth training items.

OU: UK, (01908 274034

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MARKETING / ADVERTISING / MEDIA

Era of desktop TV dawns at last

Non-linear editing offers less exclusive programme making, says David Thomas

This week the television programme industry is back at its collective desk after six days in Cannes in the south of France. The occasion was MIP TV, the industry's annual bring-and-buy sale.

At events like MIP the sheer volume of television being produced may seem overwhelming. But it is a trickle compared to a flood about to be unleashed.

The evidence suggests that desktop programme making - which will do for television what desktop publishing did for print - is now attracting a very great deal of interest.

Last month Intel, which makes the processor chips for most of the world's PCs, announced an investment of \$14.75m (£9m) in a company called Avid, a market leader in the development of non-linear editors. These are the machines that film editors sit at now that most of them have given up joining bits of film together with sticky tape.

Non-linear editors do for moving pictures what word processors do for text. But handling television pictures at broadcast quality stretches digital technology to its limit and a typical machine may cost anything from £15,000 to £50,000.

At those prices film and television editing is definitely a niche market. So why would an industry giant like Intel be interested in it?

The answer is convergence, the now-familiar argument that because com-

puters, televisions and telephones are increasingly based upon the same digital technology they will evolve into a single box serving all of our communications, entertainment and information needs.

Intel intends to ensure that its chips drive the box and since it will have to be able to handle broadcast quality television pictures the investment in Avid, whose products do just that, makes perfect sense.

But if consumer equipment is going to be able to manipulate and store moving pictures as well as receive them, there some intriguing possibilities start to emerge.

It is already possible to buy add-on cards which, with the appropriate software, will allow any reasonably fast PC to edit video.

At the moment editing at broadcast quality requires the sort of money that is only available from someone with deep pockets, like the commissioning editor of a major broadcaster.

The paradox is that film and television, the most popular form of communication art ever developed, are also the most exclusive.

Anyone can make music, write or paint and the world of theatre encompasses everything from an amateur drama group to the Royal Shakespeare Company. But the production of moving pictures remains the almost exclusive property of a small cultural élite.

To start making even the humblest television docu-



mentary requires an investment of thousands of pounds; for drama and cinema, millions.

That situation is, however, changing. Film and television programme makers may still inhabit a very small world but during the past two years some of the tools of their trade have become far more accessible.

The BBC now shoots a significant fraction of its factual output on small digital cameras using the new DV format designed for the consumer market and costing less than £3,000 each. But that is only the first step; before a programme is ready it still has to be cut, blended, mixed and presented in a series of processes, collectively referred to as post-production.

That is why most amateur video is so unappealing: even if it is well shot it is still set up raw. Post-production facilities are very expensive kitchens in which to prepare programmes. Before television can be an open medium the means to prepare and cook the raw ingredients have to become far more accessible.

Low cost non-linear edi-

tors have so far been limited by their comparatively poor picture quality. But in DV the hard processing work of turning moving pictures into a stream of numbers has already been done by the camera.

The result is that the edited pictures coming out of the box should be identical in quality to the original camera footage - and that quality has already been widely accepted for broadcast television.

For established television production companies, including the BBC, which have been very enterprising in adopting digital production technology, the ability of PCs to manipulate broadcast television opens the possibility of producers and directors assembling their programmes at their own desk.

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BUSINESS TRAVEL

Travel News • Roger Bray

New US customs

From June 1 passengers flying to Vancouver en route for the US will need to clear customs and immigration only once. Instead of undergoing inspections by Canadian officials they will go straight to US customs and immigration for pre-flight clearance, flying to the US as domestic travellers. The US government is expected to give the green light for pre-clearance at other leading Canadian airports after a three-month trial.

The move is a result of the open skies agreement

between the two countries. Doug Port, Air Canada's senior vice-president for Europe, says simplifying procedures at Canadian hub airports "will give us a competitive edge in encouraging Europeans to use Toronto and Montreal as North American gateways".

Delays worsen

Flight delays are worsening again at UK airports. The Civil Aviation Authority says that scheduled services were held up by an average of 11 minutes last year, compared with nine

minutes in 1995. Flights at Heathrow, London's main airport, were delayed by an average of 12 minutes compared with 10 minutes in 1995. At Gatwick it was 15 minutes compared with 12 minutes.

Prague project

A 250-room hotel is to be built in the centre of Prague on a site between the central railway station and the Old Town Square. Part of the development, which will include shops and underground parking, is scheduled to open in mid-1999 and will be managed by the Marriott chain. It will have fitness

and business centres, an indoor swimming pool and meeting rooms.

Manila in style

Fans of the Hong Kong Peninsula already know the welcome sight of the hotel Rolls-Royce waiting for them as they arrive at Kai-Tak airport. The upmarket hotel chain has now extended the limousine service to one of its newest properties, the Peninsula Manila.

Guests will be able to book one of a fleet of 12 Mercedes-Benz S320s for airport transfers, business trips or sightseeing within the island of Luzon.

A limousine service is also available at the Palace Hotel, Beijing; the Kowloon Hotel in Hong Kong; and the Peninsula Beverly Hills offers free local transfers in a Rolls-Royce.

Summer specials

Summer again brings city centre hotel discounts. The Pierre, on New York's Fifth Avenue, is cutting its normal superior room rate by up to 25 per cent to \$305 (£198) between June 28 and August 28. Usually it costs \$415 – or \$375 if sold for single occupancy.

De luxe rooms are down from \$485 (£315 single occupancy) to \$370 and suites from \$820 to \$580.

Sit tight

A sober reminder that those exhortations to wear seatbelts at all times while airborne are worth listening to. Eight people were injured as a JAL flight hit unexpected turbulence on its approach to Tokyo's Narita airport. One suffered a broken rib, and the others sustained minor injuries, said the airline.

Most of the 270 passengers were already strapped into their seats, but those hurt were apparently either in the toilets or returning to their seats.

Likely weather in the leading business centres

	Mon	Tue	Wed	Thu	Fri
Tokyo	17	19	17	18	18
Hong Kong	25	25	25	24	5
London	11	12	14	15	15
Frankfurt	11	11	13	15	13
New York	17	15	16	14	17
L. Angeles	24	23	22	23	24
Paris	15	14	15	16	15
Zurich	9	10	11	12	12

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SOCIETE INTERNATIONALE
DES HOTELS
Amman

Fast way out of trouble

Amon Cohen learns how to get defensive on the road



This is not a new pastime to replace the pale pleasures of the youth club, but a serious technique taught to business people and their chauffeurs who need to drive their way out of trouble.

From carjackings in Johannesburg to kidnappings in South America, a small group of executives is vulnerable every time it gets into the BMW.

Control Risks Group, a consultancy which advises on security issues, answers such needs with a defensive driving course taught by a former member of the British Special Air Service. Owing to sensitivities about SAS old boys appearing in print, he is referred to as Mr X.

Other manoeuvres taught by

they are attacking, which they don't if you are in a building."

In many cases, attackers will pick their target from a number of western companies. If they can see you have taken precautions they will turn their attentions to a less well-prepared company.

Mr X has one absolute rule: "Trust nobody and never assume things are as they are meant to be."

Much of the potential for attack can be avoided with careful planning. For targets who have regular journeys, such as from their home to their office,

Mr X encourages their security teams to prepare route maps to detail a variety of routes which should be rotated irregularly to keep attackers guessing. Each

map should highlight areas where traffic is likely to be slow or restricted, or where radio contact is impossible, and safe points, such as police stations and hospitals.

On the road, Mr X trains you to be alert at all times. You should always lock the doors and start the engine before fussing with matters such as seatbelts. Once moving, stay moving at all times because a target moving as slow as 5mph is harder to attack than one that is stationary.

As for the ideal defensive driving vehicle, the armoured Mercedes of Leonid Brezhnev, a former Soviet president, is on the market for \$570,000. It does about 15mpg.

For more conventional vehicles, you have to strike a balance between having sufficient weight and engine capacity to burst through roadblocks, and having a modest model that will not draw attention to you.

Automatics will not stall if you take your foot off the pedal in the shock of an attack. But they do not have the torque for acceleration or the handling for harrowing across fields.

There is one question, however. Mr X cannot answer: if executives have to take many precautions every time they want to drive anywhere, should they be there in the first place?

Knowing Y-turns and J-turns could well help save your life; but is it worth the stress of living a life under siege?

Control Risks Group:
+ 44 (0)171 222 1552

Victoria Griffith looks at timeshares for companies

Sharing to gain sole use

Club suites to corporations. While corporate timeshares guarantee business travellers luxury rooms at lower rates, it is uncertain that the concept will take off. Skeptics point out that the suites may not include the same amenities as luxury hotels.

The Manhattan Club says its guests will be able to use the services of the adjacent Park Central Hotel. Yet this hotel does not even offer room service. The Custom House will provide housekeepers and a concierge desk, but few other amenities.

The financial implications of timeshares may also be an issue. A timeshare is an asset, not a travel expense, like hotel rooms. While some corporations may not mind fattening up their balance sheet, others will probably be concerned about the impact on return-on-assets ratios.

The biggest worry for the corporate timeshare business, though, is probably the cyclical nature of hotel room demand. During the recession of the early 1990s, luxury hotel rooms stood empty, and huge corporate discounts were standard. If the hotel business drops off in Boston and New York over the next few years, timeshares may look less attractive.

Conferences may prove a large part of corporate timeshares' draw. The Manhattan Club is selling "event weeks"; if the date of the event is shifted, so is the timeshare. "You know you'll always have a place to stay for that conference, no matter what," says David Miller, who is marketing Manhattan

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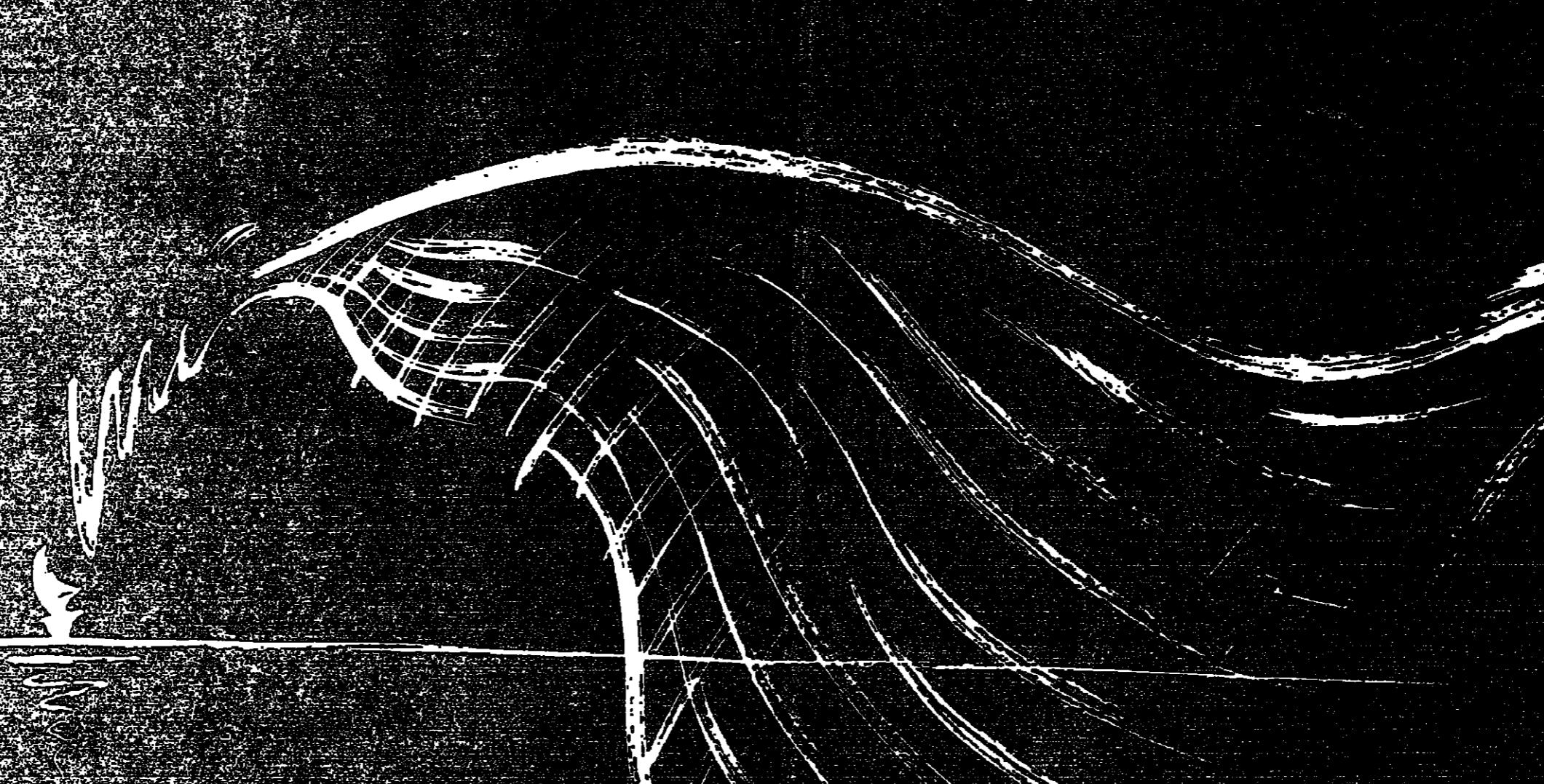
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CATHAY PACIFIC

ASIA'S LARGEST NETWORK



From our home at the heart of Asia, we offer the most extensive network around the region and also on to 15 cities in Europe via our associate airline Dragonair. Cathay Pacific

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OPENINGS



BOLOGNA
Although *Linda di Chamounix* is one of Donizetti's most entertaining operas, its taxing title role means it is rarely staged. The Teatro Comunale makes amends on Wednesday with a new production starring Marilia Davis (left). Gabriele Bellini conducts and Denis Krief is the director.

SINGAPORE
With today's inauguration of the Asian Civilisation Museum, the third facet of the Singapore National Museum is finally in place. The others are the History

Museum (opened in 1987) and the Art Museum (1990). The ACM is housed in one of the few surviving classical colonial-style buildings, restored at a cost of \$10.35m. The inaugural exhibition is of paintings of the Ramayana epic in India and Southeast Asia.

GLASGOW
Antony McDonald makes his opera directing debut with Saint-Saëns' *Samson et Dalila* at the Theatre Royal on Wednesday. McDonald is best known as a designer, but he recently branched out into directing plays, including *The Country Wife* at the Glasgow Citizens. The conductor of Scottish Opera's new production is Frédéric Chasslin, and the



roles are sung by Mark liberg and Carolyn Sebron.

INDON
tre de Complicité returns to London, and to the

National Theatre, with a new production by Simon McBurney of Brecht's *The Caucasian Chalk Circle*. For this, opening tonight, the National's Olivier Theatre will for the first time become a theatre-in-the-round.

On Wednesday, *Cheek by Jowl* returns to London, to the Lyric Theatre, Hammersmith, with a new production – directed by Timothy Walker – of the rarely seen *Out Cry*, by Tennessee Williams (left). The cast is led by Jason Merrells and Sera Stewart.

BIRMINGHAM
As if to underline where the two poles of his career now lie, Sir Simon Rattle brings the Vienna Philharmonic Orchestra

to Symphony Hall tomorrow. Their programme of Haydn, Strauss and Berlioz will be repeated at London's Royal Festival Hall on Wednesday.

CHICHESTER
The annual Chichester Festival Theatre season starts tomorrow with a new production of J.M. Barrie's (right) *The Admirable Crichton*. Michael Rudman directs; the cast is led by Ian McShane, Michael Denison, and Barbara Jefford.



Ace cyber caff with quite nice house attached

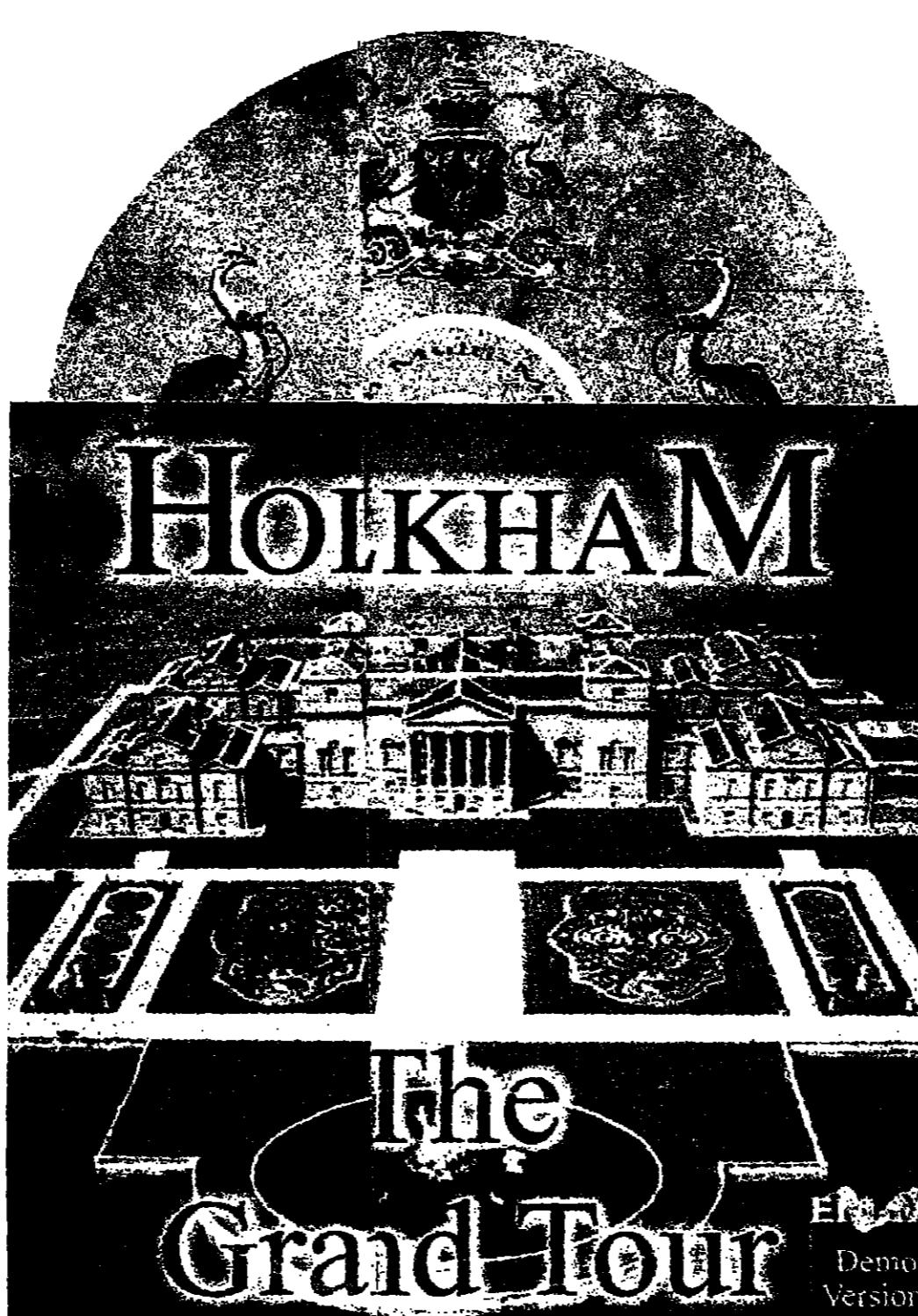
As the first stately CD-Rom goes on the market, Susan Moore reports on the way forward for country house owners

Country houses in Britain have always been open to the curious – so long as they were possessed of a carriage, a respectable suit of clothes and a tip for the house keeper. With the 19th-century expansion of the railways, enlightened grandees like the 6th Duke of Devonshire extended open invitations to "all persons whosoever". In the summer of 1848 alone, Chatsworth received 80,000 visitors.

This century, with the rise of car ownership, house-visiting as a popular recreation boomed once more but this time there was no free admission. More and more owners have been obliged to open their doors, for a fee, as a means of offsetting the running and repair costs of their crumbling piles or, more recently, because government repair grants or tax exemptions required them to offer public access. Today the Historic Houses Association has some 1400 members with over 300 properties open to the public – far more than the National Trust and English Heritage.

In the post-war years, it was enough for any strapped-for-cash owner simply to open up, take the money, and let the public in. After all, there was nowhere else to go on a jaunt. Now the competition is enormous – from theme parks and new museums to Sunday shopping; house owners are left with people who have a particular interest in historic houses, their contents and gardens. To ensure their share in that market house owners must offer "added value" and learn marketing skills. Fast.

According to Norman Hudson, technical adviser to the HHA, "it is essential that owners target a particular audience – be it children, oldies, or specialist interest groups – and understand how to make sure that these visitors derive maximum enjoyment from their visit." To promote the great Palladian treasure house of Holkham Hall in Norfolk, the Earl of Leicester has turned to new technology, sanctioning the first CD-Rom of an historic house in Britain. It is the brainchild of William Ullmann of Cambridge-based European Multi-Media. By coincidence, it follows on the heels of the first CD-Rom devoted to a single work of art, the so-called Leicester Codex of Leonardo da Vinci, purchased by the 1st Earl during his Grand Tour of Italy



Hudson's Historic Houses and Gardens (Norman Hudson & Co, £6.95) lists a substantial number of private houses opening only in this way. A dip into this annual guide to heritage properties in Britain reveals the lengths to which private owners go. The Marquess of Bath's Longleat, for instance, which first opened in 1949, offers 12 additional attractions to the house and gardens, from a safari park to Postman Pat's Village. This year's hot-air ballooning.

According to Simon Howard of Castle Howard, "We are all going our own way to promote our properties in a manner which is appropriate to a family home." Hardwood House, for instance, is choosing the art gallery route, opening its Terrace Gallery in 1999 as a use for major exhibitions (a loan of Turners from the Tate ned last month).

Owne last 15 years, the enterprising Victoria Leathem has succeeded in raising the profile of Burgh House through a series of special exhibitions on its various collects, and through US lecture tours. Uniquely, she has raised sponsorship for the restoration of housed contents through study days, tours of the collections around American museums.

Everlastingly modest houses can't a niche in the market by offering personal tours. Fincocks in Kenmare events and recitals and its collection of historic keyboard instruments. For hand-some uses close to London, such as Wram Park, Barnet, there is

a lucrative business in providing TV and film locations. Such is the power of TV that everyone wants to host the *Antiques Roadshow* – Waddesdon Manor reports a 40 per cent increase in visitors after it was featured, and Simon Howard is gleeful that *Brideshead Revised* is being broadcast again.

Since putting Castle Howard on the Internet last year, he reports a 33 per cent increase on this year's visitor figures and more continental and Americans. He is moving his costume gallery to re-use the buildings for a cafe and shop, and planning to let additional space for playing interactive games. Perhaps we will see, in an echo of the notorious advertisement for the V&A, a boom in "ace cyber caffs with quite nice houses attached".

Padshah: display of the Padshah Mughal manuscript documenting the reign of Emperor Shah-Jah; the fifth ruler of the Mughal dynasty who ruled from 1628 to 1658 and commissioned the construction of the Taj Mahal and the fort of Delhi and Agra. The manuscript was presented to George III in 1797 and has been seen in public since April 27

THEATRE
Music Box Theatre Tel: 1-212-239-6200
● **Ballymore:** by Luce. Directed by Gene Saks. The cast includes Christopher Plummer; to Sep 30

THEATRE
Oslo Nye Teater Tel: 47-22-429075
● **Popcorn:** by Ben Elton (in Norwegian). Directed by Kirsten Sørli; from April 23 to May 24

THEATRE
Théâtre des Champs-Elysées Tel: 33-1-49 52 50 50
● **Orchestre Philharmonique de Liège:** with conductor Pierre Bartholomé, performs works by Pousseur, Martinon and Tournemire; April 22

EXHIBITION
Galerie Nationale du Grand Palais Tel: 33-1-44131717
● **Paris-Bruxelles/Brussels-Paris:** exhibition focusing on the artistic relation and exchange between Belgium and France from 1848 to 1914. Attention is paid to both visual and decorative arts; to Jul 14

OPERA
Metropoli Opera House Tel: 1-212-362000
● **Fedora:** Giordano. Directed by Roberto Abbado, produced by The Metropolitan Opera. Soloists include Mia Freni, Apr 22

OPERA
Metropoli Opera House Tel: 1-212-362000
● **Residentie Orkest:** with conductor Manfred Honeck and pianist Stephen Kovacevich performs works by Brahms. The

Opera/Andrew Clark

Lacklustre Verdi

Otello doesn't set the pulse racing, something must be wrong – and there is precious little to excite in the latest revival of Verdi's tragic masterpiece at Covent Garden. It is hard to know where to lay the blame: *Otello*, regarded as the summit of Italian opera, has simply been squeezed into second priority by the expensive German season the Royal Opera has been running since January.

Lack of cash is certainly reflected in the casting of the three principals – Vladimir Bogachov as Otello, Paolo Gavanelli as Iago and Kallen Esperian as Desdemona. Gavanelli and Esperian are new to the Covent Garden stage, but have sung their roles almost everywhere else – and their performances rely heavily on autopilot. For all his burly tone, Gavanelli's Iago is a one-dimensional villain.

Esperian's pale, plastic Desdemona is a disappointment: the subtle singer-actress I acclaimed at the Bastille in the same role seven years ago is no longer recognisable. She now resorts to mannered gesture and impersonal phrasing, although some of her old fire is still there.

Recital/David Murray

Bostridge's Schubert

It was only five years ago that the Young Concert Artists Trust added the tenor Ian Bostridge to its list. Last week he repaid the favour with a brilliant concert at the Queen Elizabeth Hall: completely packed out, like his Wigmore recital last month – but the QEII is bigger.

Not too big for his voice, which wants more body yet, but is easily penetrating: tone perfectly focused, line etched as if with a laser-beam. He is rather wonderful in Schubert, which he sang in both halves; the cycle *Die Schöne Müllerin* at the Wigmore, the posthumous *Schwanengesang* collection and other late songs on the South Bank. Many phrases had a piercing sweetness – sheer beauty of timbre married to that marvellously assured line.

In the *Schwanengesang* the heavy-duty songs were slightly dodgy; neither "Der Atlas" nor "Aufenthalt" had its full sullen weight, though Bostridge rose to a fine des

ication returns for the Willow Song and Ave Maria.

Bogachov's stocky, pug-faced Moor makes an unlikely hero. He tends to push the voice, but tips the balance back in his favour with easy top notes and the honesty of his impersonation. Robin Leggate repeats his practised Cassio, and the noble Lodovico is Michael Drutt, one of the company's rising talents. The chorus (director: Terry Edwards) is in particularly fine form.

The virtue of Elijah Moshinsky's 10-year old production is that it provides a consistent frame. The revival director, Richard Gregson, brings the ensemble to life, and Timothy O'Brien's decor looks as handsome as ever. What this very ordinary revival needed was an extraordinary conductor. In a subdued UK opera debut, Myung-Whun Chung secures polished playing from the orchestra, but is altogether too self-effacing. Anyone who witnessed Kleiber, Domingo and Ricciarelli in this production would be well advised to stick with their memories.

Recital/David Murray

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In the *Schwanengesang* the heavy-duty songs were slightly dodgy; neither "Der Atlas" nor "Aufenthalt" had its full sullen weight, though Bostridge rose to a fine des

peration in "Der Doppelgänger". Everything in *Schöne Müllerin*, however, is in his range, and instead of trading upon his youthfully fresh sound, he took several of the songs unwordly slow, spelling out their sense with introspective candour.

Candour, of a special kind, is Bostridge's remarkable virtue. Every expressive point is made up-front, quite explicit – but usually his manner remains gentle and temperate. At the start of his QEII programme he sang all of "Widerschein" with arms folded; when later he made the occasional convulsive gesture, we suddenly saw Edward Scissorhands.

Sometimes he directed his singing so much toward his pianist Julian Drake that we had to strain to hear. But everybody was intent on doing that: it is rare to hear such breathlessly attentive silence at a QEII concert.

Schwanengesang concert sponsored by Marks & Spencer.

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Philip Stephens

A threat flagged up

John Major's stress on the dangers to the British nation state from devolution and the EU mask the real issues

A nation state under siege. Such is the binding thread of paranoia in the Conservatives' campaign as Britain's election enters its last 10 days. Until now it has drawn out the peril from Europe, though it has long been apparent this was a recipe for the party's latest spasm. In coming days, John Major will turn his attention to another union, that between England, Scotland and Wales.

In this strategy, British nationalism is cast as a benign force, the union flag as the symbol of a great democracy. Germany's Helmut Kohl once a firm friend but now portrayed in a crass advertisement as the menacing mastermind behind a European superstate, puts at risk the British nation state. But so, too, do those in Scotland who demand self-government.

The argument is rich in unintended irony. The British must be free to govern themselves without interference from abroad; yet Scotland and Wales must accept the yoke of English dominion. Why? Because, in this coquered nightmare, a parliament in Scotland and an assembly in Wales would unleash a demon which would destroy the union: English nationalism.

Subsidiarity, the ugly word coined to express the sensible view that government should be close to the governed, is to be applied with iron rigour in Europe. Yet it is irrelevant at home. British nationalism is good, Scottish nationalism bad.

Forgive me if all this sounds confusing. Alas, an observer of events cannot impose logic where there is none to be found. There are indeed real and conflicting pressures on the traditional boundaries of the British nation state. But the vital subtleties are lost in the many strands of desperation which now enmesh the Conservative campaign.

I do not doubt the prime

minister's sincere commitment to preserving the union. But his appeal now is directed to the raw prejudices of the electorate. Fear is a last friend. The old enemies - the high-spending state and the unions - have been vanquished. Mr Major needs new threats.

These latest arise from a certain view of Britishness, a mindset which views the union's shared identity as embedded in Westminster's parliament. Chipping away at parliament's sovereignty, by devolution at home or integration in Europe, erodes this all-embracing sense of Britishness.

The fact that the Act of Union, whose 200th anniversary falls, by chance, on polling day, consciously allowed Scotland its own legal and administrative systems is put to one side. So too is the unique position of Northern Ireland.

There is, though, a still bigger contradiction. The internal and external pressures on the British nation state run in opposite directions: the more a government in London retreats from Europe, the more likely Scotland will seek to loosen the tie. England is fearful of Europe; its Celtic partners value the opportunity of engagement.

One thing is certain. Scotland will secure more

I do not doubt the prime minister's commitment to preserving the union. But his appeal is directed to the electorate's raw prejudices

self-rule. If it is not the devolved parliament proposed by Labour's Tony Blair, then it will be the independence sought by the Scottish National party (SNP).

There are flaws in Mr Blair's blueprint for an Edinburgh parliament with specific legislative and limited tax-raising powers. He is obliged to admit that the so-called West Lothian question, which asks why Scottish MPs at Westminster should retain a say in English affairs after English MPs are denied reciprocal rights in Scotland, cannot be answered in the narrow terms it is posed.

Mr Blair's response - that in the British constitution power devolved from Westminster is power ultimately retained - is about as close as one can get. Yet he is less candid in pretending he can remake the constitutional settlement without knock-on effects. Equity will demand a new bargain between England and Scotland: perhaps a cut in the number of Scottish MPs at Westminster, perhaps new arrangements for the passage of uniquely English legislation.

Nor can we be sure that an Edinburgh parliament would not turn out eventually to be a half-way house on the way to full independence. There is obvious potential for conflicts between, say, a Conservative administration in London and a Scottish parliament dominated by the other parties. It is foolish to pretend otherwise.

The promise of limited self-government, though, has the essential virtue of matching present political realities. The Scots are not at the barricades, but there is evidence in abundance of their quiet determination to have a bigger say in their own affairs.

For 18 years, England has elected Conservative governments to Westminster. Scotland has voted other-

wise. To deny its present aspirations indefinitely would be to push it across the line separating self-rule from independence. It is a point George Robertson, Labour's shadow Scottish secretary, makes with persuasive persistence.

The testimony is there in the present dismal condition of the Conservatives. The party holds only 10 of Scotland's 72 seats. Michael Forsyth, the Scottish secretary, has been energetic in adding a Scottish veneer to the rule from London.

He campaigns not under the union flag but under that of St Andrew. But Mr Forsyth will count his party blessed if it retains even 10 seats, and he his own. Less fervent colleagues have not missed the irony that the Conservatives' best hope of a revival in Scotland is in a general election victory for Mr Blair and the promised proportional voting system in the new parliament.

Creating that parliament will not be easy. The issue of Home Rule has dogged successive British governments since Gladstone first proposed it for Ireland more than a century ago. But this is a last chance for devolution. The signs are that the support for the SNP will be contained at this election, as at the last, to about a quarter of the electorate. But another government at Westminster wedded to the status quo would transform its prospects.

In the Republic of Ireland's undoubted success within the European Union, the advocates of independence have found a seductive model for a small independent nation state. If the Irish republic can make such an obvious success of going it alone, why not Scotland? Why indeed? Mr Major is right in observing that the British nation state is under great strain: but the enemies are not federalism and devolution but isolationism and centralism.

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LETTERS TO THE EDITOR

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Uganda initiative should be seen as standard for aid

From Michael Whelan

Sir, If aid is eventually repaid it will be for the same reason that communism is an end in itself: it will implode under the weight of its own legacy and corruption.

However, Stephanie Flanigan's account of two reports recommending a new approach to development funding in sub-Saharan Africa comes more encouraging than "New ways forward Africa" and "Foreign aid to bear economics" (April 14).

If a World Bank report (albeit internal one) can admit that aid can only be effective where good policies for economic growth have

been in place, this is a big step forward. The report from Jeffrey Sachs at the Harvard Institute for International Development, which advises careful targeting of aid at countries where the political will to carry out reforms is evident, and that it should be cut off entirely for five years from countries which backslide, is also evidence of a paradigm shift in the foreign aid lobby.

But why are aid donors still only talking about such approaches when Uganda has already exceeded their "traditional" conditions and has offered to go significantly beyond them in support of the new thinking?

Following the lead of Karl Ziegler of London's Centre

for Accountability and Debt Relief and others, the Ugandan government has offered to keep its public sector books open for continued monitoring and micro-auditing in return for debt relief. Furthermore, it has promised the specific health, education and infrastructure projects which would benefit from the savings made.

Surely such an initiative merits immediate donor support, not least as a standard by which other, often profit-making, over-borrowed nations should be judged?

Robert Whelan,
Institute of Economic
Affairs,
2 Lord North Street,
London SW1 3LB, UK

Barclays a step ahead

From Mr Ian McDonald, Sir, Mr Gobert (Letters, April 14) is right to be impressed that his "French" bank now shows account balances in euros as well as French francs. Barclays is proud to be one of the first banks in France to provide this service to its customers, especially as my dictionary suggests "l'art de faire mieux que les autres" as a definition of one-upmanship!

Ian McDonald,
Branch manager,
Barclays,
6, rue Point de
Champs-Elysées,
75008, Paris, France

Price to pay

From Mr Alex Pomeroy

Sir, If the boss of Granada confidently supports New Labour ("Labour makes pitch for business support", April 12), which endorses a minimum wages act and a change in the hours of the working week, has he considered the effect of these proposals on his company's hotel and catering interests? If their profitability is to be maintained will it not be necessary to raise hotel room rates and restaurant charges to the possible chagrin of the public on whose support his shareholders depend?

Alex Pomeroy,
132 Abbey Road,
London NW6 4SN, UK

In corner over UK fishing strategy

From Andrew Palfreman

Sir, Davidson, in "Islands" (April 16), struck a resonant chord. Over many years I have followed evolution of the Common Fisheries Policy.

Once all, without a coherent strategy for dealing with the various issues, both Conservative and Labour parties are piling themselves into a corner.

It is conceivable that the rest of EU will agree, unanimously, to the treaty changes needed to stop "quotasapping" because

free movement of capital is a fundamental principle of the Treaty Rome ("Fish

caught in the middle", April 15). In any event, there is, and has been for many years, a vast network of commercial links between fishing vessel owners in Europe.

An intelligible strategy, consistent with UK membership of the EU, might rest on two basic propositions:

● Policy should protect legitimate fishing interests where the industry is socially important, such as in the south-west. For example, it might make sense to ring fence some quotas and some fishing areas for vessels landing to defined regional ports and harbours.

We are after cash in building society conversions

From Bruce T. Brown

Sir, ("Flotation windfalls", April 16) writes that only 1 per cent of National & Provincial members sold their shares shortly after the Abellio takeover last year. True, but some 80 per cent of N&P two-year savers had the choice

to cash at the outset. The implication is that if 97 per cent of this year's converting societies' members have voted for change most appear to be after the cash.

For sure today's building society members are not behaving in the same way as those of the Abbey National

when it first converted. Extrapolations from that experience may be wrong.

Alliance and Leicester's members may be alert to an institutional demand which would then be to work for a commercial environment in which these vessel owners would never be the victims of unfair competition.

Andrew Palfreman,
Senior Lecturer,
University of Hull
International Fisheries
Institute,
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banking on impatience and a short term price fall. And CrestCo might be busier than it has allowed for.

Bruce T. Brown,
10 Trent Court,
Garrard Gardens,
Sutton Coldfield,
B73 6DS, UK

Samuel Brittan

Individualism under fire

Personal freedom is under threat from prevailing tendencies in all the main parties

Debates that are often smothered in Europe are brought out more starkly in American political argument, especially more cerebral types in campuses and think-tanks.

An example is that between communarians and individualist liberals. In the US, a whole movement has arisen to attack the liberal individualist foundations of the country's politics and culture. Its soft version can be found in the communarian movement which has as its guru Amartya Sen, the political economist who is close to Al Gore the vice-president. A harsh version can be found in a Republican religious right with its support of compulsory religious practices of which school prayer is a symbol, belief in severe punishment for retributive reasons and paranoid nationalist fears that foreigners are taking away American jobs.

On the left will wonder why I am putting together right-wing authoritarianism with benevolent communism. The giveaway here is that between communarians and individualists the group is more important than the individual. They thus often come together in the advocacy of a year or two of compulsory national service to inculcate some patriotism and civic virtue into the American young.

As David Boaz, author of a recent guide to libertarianism*, replies: "No group of people has the right to force another group to give up a year or two of their lives - and possibly life itself - without their consent. The basic liberal principle of the dignity of the individual is violated when individuals are treated as national resources." He hopes the Supreme Court would find such national service unconstitutional.

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leaves out of account the prominent place of selfless cruelty in human affairs. It is much easier to be cruel in the course of acting in the cause of others or for a cause than while acting for one's own thing. Those who have homosexuals shot in the name of the Islamic Revolution... cannot be excused of anti-social individualism or base self-interest."

In Britain, the issue is confused because almost everyone on the left and centre now adopts a communarian rhetoric. Having accepted much of the economic counter-revolution of the past 18 years, the main issue on which British Labour party leader Tony Blair - and even more his acolytes - digs in is his opposition to supposedly Thatcherite individualism.

This is based on a false chain of reasoning which identifies individualism with self-interest and self-interest with selfishness. The last is a howler, as testified by anyone who has laboured for a charity, for the cause of any of the arts or merely to improve the lot of his own family and intimates.

Many communarians come to the wrong conclusions from the social nature of humans. As Professor Stephen Holmes, the US political theorist who is a pro-welfare state liberal, argues, the social nature of Man "is worthless as an argument for or against any existing institutional arrangement. If all individuals are socially constituted then the social self cannot serve as a critical standard to praise some societies and revile others."

Anti-liberals also assume that selfishness is the only sin, says Prof Holmes. "This

stop the false idea that it is good to serve society and its institutions."

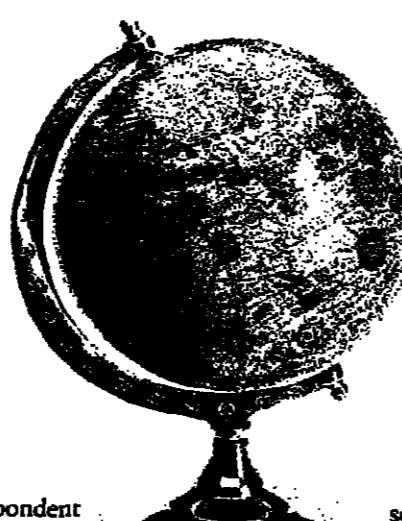
In spite of the Thatcherite emphasis on the individual, British Conservatives do not have a strong record on personal freedom. Almost every increase in personal liberty and toleration, from the legalisation of homosexuality among consenting adults to the abolition of theatre censorship and more sensible divorce laws, has been brought about in the face of opposition from the majority of Conservative MPs and activists. In nearly every country the political right (with a few honourable exceptions) is adamantly opposed to any re-examination of the drug laws which have done so much to make organised crime one of the world's biggest businesses.

John Major's ill-fated "back-to-basics campaign" is instructive. No doubt Mr Major had in mind campaigns for relatively non-controversial matters such as politeness and correct spelling. But as any good spin-doctor should have been able to predict, it was soon converted into a hypocritical media hunt for any public figure who had ever lapsed from the headline Victorian proprieties. The result has been a witch-hunt in which private personal behaviour has been put on a par with serious financial wrongdoing. The prime minister has felt unable to stop the witch-hunt because of his unwitting role in it.

Liberals and libertarians of varying hues would do well to realise that the values which unite them are at least as important as those that divide them. Man does not live by economic policy alone. Liberals have devoted too much effort to abstract debates on the role of the state and not enough to the defences which have been built up over the years to protect the individual from state or group power. These are threatened every time Michael Howard, the home secretary, and his shadow Jack Straw open their mouths. The real battle will resume in earnest when the polling booths are closed.

*Liberarianism, Free Press, 1997. **The Anatomy of anti-liberalism, Harvard, 1992.

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Meeting by Andy Murrison

UK home secretary Michael Howard (right) and Jack Straw

COMMENT & ANALYSIS

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Monday April 21 1997

Chirac's election call?

In France, as in Britain, the head of state can dissolve parliament before its five-year term is up. But, in France, unlike Britain, conventional wisdom has it that he should do so only for some "very important reason".

"It's only a matter of petty politics [la politique politique]... the French would not understand." Such at least was the view expressed a week ago by President Jacques Chirac's minister of culture, Mr Philippe Douste-Blazy.

No doubt Mr Chirac himself agrees, which is why until the middle of last week few commentators were willing to credit rumours of a snap election, given that the present parliament - in which Mr Chirac's supporters have an overwhelming majority - has nearly a year of its term still to run.

Mr Chirac himself has yet to make his intentions public. But in the past three days usually well informed French newspapers have been predicting, that a dissolution is indeed imminent, and may even be announced today.

Two main reasons are advanced for an early election. One is that the five-year term of a new parliament elected now would coincide more or less

exactly with the remainder of Mr Chirac's own presidential term. Thus, if he reckons his supporters have a better chance of winning now than next March, he can avoid the nightmare of having to "cohabit" for four years with a parliament and government controlled by his opponents.

The other suggested reason is that Mr Chirac might wish to get the elections out of the way before the crucial winter during which it will finally become clear which countries qualify to be founder members of the European monetary union in January 1999. That argument would be especially persuasive if, as some recent reports suggest, further fiscal tightening will be needed to squeeze France's 1997 budget deficit within the Maastricht criteria.

Any government would prefer to announce such measures after an election rather than before.

Still, the risks involved would be considerable. A May or June election would be almost certain to wreck the timetable, if not the outcome, both of the EU's treaty-revising conference and of the highly sensitive Thomson privatisation.

The gamble, if Mr Chirac does make it, is one he cannot afford to lose.

Beltway blues

Washington has discovered a new form of "gridlock". Time was when the pundits berated presidents and Congressional leaders for failing to compromise. The more recent complaint runs deeper: that the country's leading politicians have lost the will even to disagree. Talk of a "do-nothing Congress", and an equally debilitated White House, abounds.

Such paralysis, so early in President Bill Clinton's second term, would be a disheartening prospect indeed for the US and the rest of the world. Fortunately, there is less to the beltway "funk" than meets the eye.

True, the first few months of the new Congress have been surprisingly rudderless. Newt Gingrich, the House Speaker, has undergone a modest renaissance, thanks to the success of his trip to China and various bridge-building efforts among conservatives dismayed by his attempt to play down the importance of including tax cuts in a balanced budget deal.

However, the news that Mr Gingrich is to use a loan from Bob Dole, offered on highly favourable terms, to pay off his fine to the House ethics committee, does little to dispel the fear that the Speaker is too ethically challenged to deal effectively in perspective.

Certainly, both Mr Clinton and Congress could try harder. But the gloomsters should remind themselves that they could also be doing a lot worse.

Co-op moves

From its foundation in the 1820s, the co-operative movement's biggest enemy has been greed. Dr William King and his early pioneers were fighting not only the mill owners with tied stores and retailers who adulterated products, but also the enemy within. Then as now, co-op members could be tempted all too easily to cash in their shares, take their profits and run. This was one of the main causes of the collapse of all but a handful of the 500 societies between 1863 and 1884.

Now, the movement faces a rather different threat: of being swallowed by the capitalist system which it had so long resisted. The change can only happen if members are offered a big enough cash inducement, as happened when building societies turned themselves into banks.

Mr Andrew Regan, the head of Lancashire Trust, may not succeed in his audacious efforts to gain control of some of the Co-operative Wholesale Society's non-retailing businesses. And the Society's decision to suspend two senior executives and to appeal to the courts for the return of documents from Mr Regan will certainly not make his task easier.

However, if Mr Regan fails, someone else will surely try, perhaps with even more ambitious plans. One reason is that the era of mutual societies seems to be drawing to a close. The benefits of co-operative ownership have too often been

- of this "crisis of leadership" can be overstated.

The 61 formal votes in the House, and much smaller number of votes actually passed, during the first five months of this session compares unfavourably with 1983 and, even more so, with 1985. But both of those years were exceptional: in the first case, the beginning of the first Democratic presidency in 12 years; and in 1985, the first Republican Congress for several decades.

A few, very large pieces of business are on the agenda, anyone of which would mark a significant achievement: agreeing a credible plan to balance the federal budget for the first time in more than 30 years; ratifying the eastward expansion of Nato; and developing a more stable trading relationship with China.

Indeed, the White House and Republican leaders could have the outlines of a historic budget deal by early May. On trade, the inability of administration officials and the dwindling band of free traders in Congress to take the lead could have serious consequences for China's entry to the World Trade Organisation and trade negotiations worldwide. But even here, the costs of rethinking need to be kept in perspective.

Certainly, both Mr Clinton and Congress could try harder. But the gloomsters should remind themselves that they could also be doing a lot worse.

Asian banks must be better regulated to avoid becoming victims of an unbridled property boom, warns Peter Montagnon

Searing over the Kuala Lumpur skyline, the 88-storey Petronas twin towers will be the pride of Malaysia when they finally open their doors for business later this year.

But the world's tallest office complex, with its 4m sq ft of accommodation, is also casting a long shadow over the region's and the country's property market.

While enthusiasts are already bubbling with excitement at Malaysia's next grand project, a 1.8km long building snaking above a riverbed and housing its own artificial river, sharp falls on the Kuala Lumpur stock market last week reflect fears that Malaysia's pride will eventually come to symbolise Asia's folly.

Last year's regional economic slowdown, prompted by currency movements and weak demand for electronic exports, was largely dismissed as cyclical.

But, in its wake, it has revealed an unexpected structural problem: an overheated property market which is exposing strains in Asia's underdeveloped banks.

"The early 1980s were marked by over-exuberance, with too much economic growth and too much property supply," says Mr Neil Saker of SocGen Crosby Securities in Singapore.

Like other economists, he expects Asia's rebound to be muted for the next couple of years while authorities around the region try to shore up financial systems to deal with consequences of the property glut.

Most Asian central bankers claim their banks lend only limited amounts to developers. But Thailand's financial crisis suggests the exposure is greater than official figures show, masked by poor accounting. Even loans that are not directly for property development may also be collateralised by real estate.

Asian banks have been on a "reckless" lending spree in the property and equity markets, says Mr Ma Guan of Bankers Trust in Hong Kong.

They should have focused more on mobilising domestic savings and channelling them to productive sectors, he says. Their failure to do so has forced Asian countries to import capital, helping to stoke up large payments imbalances in countries like Thailand, the Philippines and Vietnam.

The most conspicuous banking straits have appeared in Thailand and South Korea.

Thailand has seen a succession of crises, most of which are related to property lending. Last May, the government had to take responsibility for Bangkok Bank of Commerce, a mid-sized commercial bank, after it ran up bad debts of \$2bn. Finance One, a leading finance company, was bought by Thai Danti Bank after it hit financial problems in March.

Korea's problems are less related to property, but also show how economic slowdown exposes financial sector weakness. Its banks are wrestling with mounting bad loans to large companies, or *chaebol*, whose profits are under pressure.

The collapse of two steel companies, Hanbo and Samml, this year brought a first taste of crisis to the banking sector. Fears of more corporate troubles have

been stoked by last week's assets sale by Jihro, the financially stretched liquor and food group.

Korean banks are poorly placed to cope. A 20 per cent fall in equity prices since the start of last year has eroded the value of share investments which are supposed to bolster their capital.

In the travails of Thai property and Korean equities it is tempting to see the beginnings of an asset bubble which could undermine Asia's growth miracle. Analysts, however, reject the notion that Asia is headed for severe Japanese-style deflation.

Property and banking problems may spread to other countries. Malaysia, the Philippines and Indonesia are all facing a property surplus, but even in Thailand, the situation should be manageable over time, they say.

Thailand differs from Japan in that its economy is not stagnating, says Mr John Calverly of American Express Bank in London. Nominal gross domestic product is still rising by around 10 per cent a year. Japan has recently seen virtually no nominal growth which could float its property sector and banks off the rocks.

Mr Calverly believes Thailand can work through its property problems within three or four years, but it will be a painful process because Thailand has not yet seen the worst of the glut.

According to Jones Lang Wootton, the chartered surveyors, 409,000 sq m of new office space is due to hit the market in central Bangkok this year, almost double the supply of 1996. Next year's supply will be even greater as projects already in the pipeline are completed.

Another problem is the heavy short-term foreign borrowing by local banks and companies, which has left the financial system vulnerable to a depreciation of the baht.

This limits the scope for the Bank of Thailand to cut interest rates to ease banking-sector strains. Indeed, says Mr Saker, it was forced to tighten monetary policy just as the property problems hit.

Asian banks have been on a "reckless" lending spree in the property and equity markets, says Mr Ma Guan of Bankers Trust in Hong Kong.

They should have focused more on mobilising domestic savings and channelling them to productive sectors, he says. Their failure to do so has forced Asian countries to import capital, helping to stoke up large payments imbalances in countries like Thailand, the Philippines and Vietnam.

The most conspicuous banking straits have appeared in Thailand and South Korea.

Thailand has seen a succession of crises, most of which are related to property lending. Last May, the government had to take responsibility for Bangkok Bank of Commerce, a mid-sized commercial bank, after it ran up bad debts of \$2bn. Finance One, a leading finance company, was bought by Thai Danti Bank after it hit financial problems in March.

Korea's problems are less related to property, but also show how economic slowdown exposes financial sector weakness. Its banks are wrestling with mounting bad loans to large companies, or *chaebol*, whose profits are under pressure.

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Economists say Indonesia's relatively robust economy - its exports suffered less than those of other Asian countries in last year's slowdown - should help limit any shock to confidence.

In Malaysia, where a sharp increase in property space is expected this year, the central bank has taken steps to rein in property lending by the banks.

Now are the Asian countries with the weakest banking systems, China and Vietnam, a particular source of property-related concern.

Chinese banks admit to disturbing levels of bad loans as a result of lending to bankrupt state enterprises. But, so far, the authorities have stayed off a crisis by maintaining a high economic growth rate.

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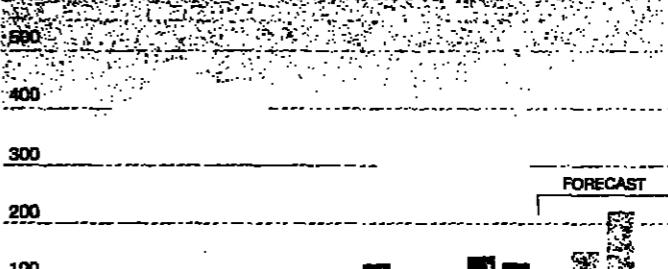
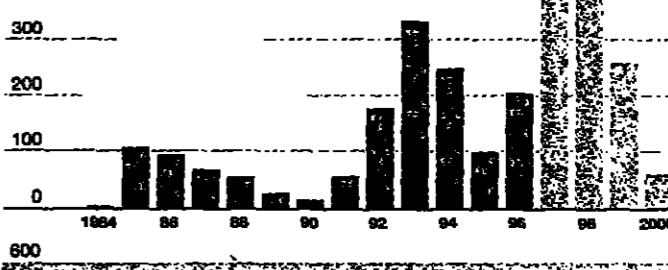
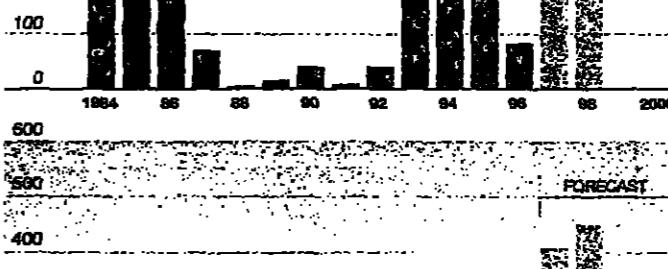
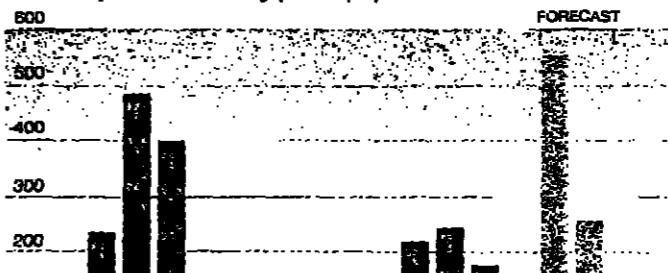
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Hot property: the overheating markets

Office space availability (000 sq m)



Jiang and Yeltsin meet to boost Sino-Russian ties

By Tony Walker in Beijing and
Chrystie Freeland in Moscow

Mr Jiang Zemin, China's president, arrives in Russia tomorrow for a four-day visit aimed at broadening and deepening strategic and political co-operation between the two countries.

For the Kremlin, Mr Jiang's visit is a welcome counterbalance to domestic concerns about Nato enlargement and worries that Russia is being encircled from the western club of nations.

Mr Jiang and Mr Boris Yeltsin, president of the Russian Federation, are due to sign two historic pacts aimed at giving substance to improving Sino-Russian ties.

These are a "strategic co-operative partnership" agreement and a treaty on further reducing troop numbers and extending military co-operation along the two countries' 4,300km frontier. Three central Asian republics - Kazakhstan, Kyrgyzstan and Tajikistan - whose borders touch those of Russia and China, will also be signatories to the latter.

Mr Xia Yishan, head of east European, Russian and Central Asian Studies at Beijing's Institute of International Studies, a foreign ministry

Leaders to sign military co-operation agreements

think-tank, said China and Russia were in accord on the need for a "multipolar world".

"Russia believes that the world should not be divided between the ruler and the ruled, while China believes that world issues should not be decided by one single nation. China is opposed to 'bloc politics,'" said Mr Xia.

"Since the Jiang-Yeltsin summit in April last year, there have been a flurry of exchanges, including reciprocal visits by senior defence personnel and a trip to Moscow last December by Mr Li Peng, China's premier. Increasingly frequent high-level Sino-Russian exchanges contrast with chilly relations during much of the 1960s and 1970s when the two countries traded insults amid the threat of war.

But the collapse of the former Soviet Union, which left the US as the sole superpower, has pushed the countries closer. The need to build their respective economies and improve commercial ties is also driving the relationship.

Russian arms sales to China are an important element of

Beijing and Moscow have their own agendas which coincide for the moment.

Moscow's sense of isolation has been heightened by a growing realisation that Russian opposition to Nato's expansion is futile. This has encouraged Russia to look east for new allies.

Russia is looking for strong new partners to maintain a balance of power in the world," said Ms Irina Kobrin-skaya of the Carnegie Endowment. "Russia is focusing its foreign policy on Asia to have room for manoeuvre."

For Beijing, warmer ties with Russia, which is also a Pacific power, help to balance what China regards as a troubling security pact between the US and Japan, its traditional nemesis. The Chinese also see benefit in closer co-operation with the Russians in international forums, including the Security Council, as a means of combating US pressure on human rights and other issues such as trade.

Russian arms sales to China are an important element of

the partnership. Moscow recently supplied a second squadron of SU-27 fighters, at a cost of about \$2bn. The two presidents are certain to discuss ways of further extending military co-operation, with the Chinese pressing for Russian transfers of technology.

Mr Jiang and Mr Yeltsin will also be concerned to promote trade ties, which have not developed as both countries might have wished. Two-way trade reached about \$7.5bn last year, about one-eighth that between China and the United States. Russian direct investment in China is minuscule.

But the Russians are anxious to sell their engineering skills - a Russian-led consortium is bidding for the Three Gorges dam project - and negotiations are continuing on nuclear projects. The two sides are also conducting a feasibility study for the supply of Russian natural gas to China, a multi-billion dollar project which would require extensive pipeline construction.

Russian officials in Beijing say a constraint on more extensive commercial ties is an absence of banking links. Three Russian banks have opened representative offices in China, but as yet there are no branches.

Netanyahu will not be charged

Continued from Page 1

beyond any reasonable doubt the prime minister brought the appointment to government approval only or mainly to Deri's request."

Senior Arab diplomats yesterday viewed the decision as having seriously weakened Mr Netanyahu, making him more vulnerable to the demands of his extreme right-wing coalition partners.

Arab frustration with the Netanyahu government has become intense.

Anglo and De Beers

Continued from Page 1

had made his plane available to Mr Kabila, and said AMF had purchased diamonds worth "a few hundred thousand dollars" to provide liquidity in cash-starved Kisangani, the first important city captured by the rebel forces.

In Lubumbashi yesterday, Mr Kabila said he was ready to open a second front in the civil war, west of Kinshasa, signalling that the final push on the capital would take the form of a pincer movement.

Indian crisis over amid fears for economic reform

By Mark Nicholson in New Delhi

India's political crisis ended last night when Mr I.K. Gujral, newly-elected leader of the United Front coalition, was appointed prime minister by the state president Mr Shankar Dayal Sharma.

The new premier is a veteran diplomat whose brief term as foreign minister in the previous administration saw improvements in relations with India's neighbours including Pakistan and Bangladesh.

However the new government looks set to be lacking its most ardent proponent of economic reform, Mr P. Chidambaram, the outgoing finance minister. His party, the Tamil Maanilai Congress, withdrew from the multi-party coalition in the course of the negotiations. Mr Chidambaram's departure would seriously

damage the credentials of the UPA for further economic reform, and is likely to undermine both market and foreign investor confidence in the new government. Coalition members said efforts were under way to persuade the TMC to reconsider its move.

Mr Gujral, 77, will be sworn in as prime minister in as much as prime minister of Mr Deve Gowda, who resigned nine days ago.

Mr Sitaran Kesri, president of the Congress party, whose withdrawal of political support on March 30 precipitated the political crisis, has offered full support to the new coalition government.

Renewed Congress backing followed the election of Mr Gujral after an acrimonious three-day leadership battle which resulted in the TMC walkout. The foreign minister emerged as a compromise can-

didate to replace Mr Deve Gowda, defeated in a confidence vote last week. Mr Kesri initially withdrew his party's political support, arguing that the 10-month-old coalition had mismanaged the economy and led to a rise in "communal" rioting. He later insisted that Congress could renew its backing only if Mr Gowda quit.

However, the new UPA government looks likely to be short of the TMC, a regional party based in Tamil Nadu. Mr G.K. Moopanar, TMC leader, pulled his party out of the talks on Saturday, apparently furious at opposition from communist and regional parties to his own candidature for the UPA leadership.

The new management had two alternatives: follow the Interpublic or WPP model of justifying a holding company structure through cost efficiencies and co-ordinating businesses to boost profits; or disband the empire. Given the degree of

damage to the UPA's credibility, it would force a postponement of these high-profile transactions which the government is relying on to bolster its credibility with international investors.

There is agreement that such a poll would risk leaving their timing in doubt.

Continued from Page 1

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FINANCIAL TIMES

COMPANIES & MARKETS

Monday April 21 1997

Week 17

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IN BRIEF

Christian Dior suffers decline

Christian Dior, the Paris fashion house that recently appointed the flamboyant John Galliano as its chief designer, suffered a decline in net income last year, from FF 14.66bn in 1995 to FF 13.58bn (\$819m). Page 27

Standard Life extends banking services

Standard Life, the UK mutual life insurer, is soon to offer savings facilities, personal loans and other banking services in line with a growing trend within the UK insurance sector. Page 26

PanCanadian looks to boost production

PanCanadian Petroleum, one of Canada's largest oil and gas producers, could spend as much as C\$1.5bn (\$860m) (US\$1.1bn) within the next 12 months to acquire overseas production

operations, possibly in the North Sea. The company said it wanted to increase production levels by up to 88,000 barrels per day of oil and other fuels. Page 28

VA to spend on European acquisitions

VA Technologie, the Austrian plant engineering group, plans to spend up to Sch 8bn (\$648m) on European acquisitions to expand sales by more than a third by 2000. Page 28

Rentokil settles dispute with BET chief

Rentokil Initial, the UK-based international business services group created by Rentokil's £2.2bn takeover of BET last year, has paid £2.25m (\$3.67m) in compensation to settle a long-running legal dispute with Mr John Clark, the former chief executive of BET. Page 26

Thai problems related to liquidity

Problems at Thai finance companies, highlighted by the collapse of Finance One in March, are more related to liquidity than solvency, according to an investigation by IBCA, the bank rating agency. Page 27

Alliance & Leicester makes trade debut

Shares in Alliance & Leicester, the UK mutual that is converting into a bank, could open above £5 this morning, in a market debut that will be closely watched by the 14m people getting free building society shares this year. Page 26

Japanese stores post earnings surge

Leading Japanese department stores reported a surge in earnings for the business year to February, on strong demand for luxury imported goods and expansion of facilities. However, sales turned down in the second half because of sluggish consumer spending. Page 28

LSE plans covered warrants market

The London Stock Exchange is preparing to launch a screen-based trading market for covered warrants, in an attempt to make trading in these securities accessible to a wider range of investors. Page 26

Selec falls to evade bankruptcy

Selec, the Italian manufacturer of television sets, was declared bankrupt by a court in northern Italy despite a last-ditch effort to salvage what was once one of the country's largest consumer electronic companies. Page 27

Mercedes-Benz A Class gains interest

Mercedes-Benz's new A Class compact car has attracted more than 100,000 "serious expressions of interest", six months before European sales start. The company, which is broadening its product range, claims 300,000 potential customers have written in for details of the new car. Page 28

Deutsche expects Kirch accord

Deutsche Telekom is optimistic it will soon have an agreement with KirchGroup, the German media company, to carry Kirch's digital pay-television services over Telekom's cable TV network. Page 27

Securum to sell property unit

Securum, the Swedish "bad bank" which is being wound up this year, has set a SKr50 to SKr50-a-share price range for the flotation of its property subsidiary Castellum. Page 27

Hungary's MOL agrees \$500m loan

MOL, the Hungarian oil and gas concern, has agreed a loan of \$500m with a syndicate led by Sumitomo Bank of Japan, the largest private loan made to a Hungarian company. Page 27

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FINANCIAL TIMES

Monday April 21 1997

Cordant set to split three ways

Radical demerger would break up former Saatchi & Saatchi group

By Tim Burt

Cordant, one of the world's largest advertising groups, is expected to announce a radical three-way demerger today.

The company includes Saatchi & Saatchi. Two years ago it changed its name to Cordant following the departure of former chairman Lord Saatchi.

The group is planning to float off its two advertising agencies, Bates Worldwide and Saatchi & Saatchi Advertising Worldwide.

The newly-listed businesses, to be quoted in New York and London, will jointly own Cor-

dant's third main trading division, Zenith Media, its media buying subsidiary.

Plans for the demerger follow a 15-month review by Mr Bob Seelert, who was recruited to run the company after the defection of the founding Saatchi brothers in 1995.

Although Cordant refused to comment yesterday, Mr Seelert is understood to regard the demerger as the best way to unlock value for shareholders. Analysts believe the business could be worth £300m (\$1.8bn). It would also represent the culmination of a

earlier this year by the company's resumption of dividend payments and a return to profits.

Six weeks ago Cordant announced it had reversed its 1995 pre-tax losses of £22.8m with profits last year of £21.8m on sales of £754.9m (\$761.1m).

Since then, institutional investors and advertising clients in the US and UK have been canvassed about the demerger and were said to be "enthusiastic" at the plan.

Shareholder circulars currently being prepared on Bates and Saatchi & Saatchi will tell investors that the two busi-

nesses can better exploit expansion opportunities separately than together.

It will, for example, unshackle Bates from Saatchi & Saatchi's "no client conflict" agreement with Procter & Gamble, one of the group's top clients. In the past, that agreement prevented Bates seeking advertising contracts from any of P&G's competitors in the consumer products industry.

Following the demerger, Bates is expected to retain clients such as Avis, BAT Industries and Hyundai, while Saatchi & Saatchi would continue

with advertisers including

Toyota,

DuPont

and

Hewlett-Packard.

The Cordant name will dis-

appear, with its existing senior management reassigned to the two main advertising busi-

nesses.

Zenith Media is to be

run as an independent opera-

tion, although directors from

the two shareholding compa-

nies are expected to receive

non-executive posts.

The

company

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The

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UBS.

Lex, Page 24

Spotlight switches to Time Warner

US West a step closer to buying cable TV assets

By Richard Waters
in New York

The grand reshuffle under way in the US communications and entertainment industries continues apace.

Airtouch, a wireless telephone company, reached an agreement last Friday to buy the wireless business of US West, one of the US's local telephone companies.

At its current share price, the company will pay \$2.3bn in stock and take on \$2.2bn of debt to secure its place alongside AT&T and Sprint as one of the US's national wireless telephone providers.

Among the more intriguing aspects of this deal is its possible role in helping to grease the wheels of a far bigger reorganisation - that of Time Warner Entertainment, a unit of Time Warner in which US West owns 25 per cent.

US West has been negotiating to assume some of TWE's cable TV systems, something that would cement its position as one of the leaders in the cable TV industry.

Like a children's party game, this reshuffling of assets is a process fraught with difficulty. All hope to end up with the most desirable assets when the music stops.

POP it paid a year ago when buying CCI, another wireless company.

The cost of a place at the top in the US is not insignificant, though. The businesses Airtouch is acquiring are less effective producers of cash than its existing operations, and will weaken the company's position, according to Moody's Investors Service, the US rating agency, though it added that it did not expect to downgrade the company.

Airtouch and US West were already in a partnership that was likely to end in a merger of their wireless businesses. By acting now they have made

a clean break, allowing each side to get on with life.

For US West that means expanding into cable TV. While other Baby Bells have largely dropped plans in this area, US West has forged ahead. Last year it bought Continental Cablevision, the country's third largest cable TV company, a deal that cost it nearly \$5.5bn in stock and caused it to assume as much again in debt.

With the strong credit rating and solid cashflow of a Baby Bell, the company is well placed to continue expanding.

CCI and Time Warner, the two largest cable companies, are struggling to cut their own debt levels (in Time Warner's case, this amounted to \$12.7bn on its balance sheet at the end of last year, with another \$5.7bn in TWE).

By shifting some of its debt to Airtouch, US West is better placed to reach an accommodation with Time Warner that would let it take on some of the TWE cable systems. But as its executives have made clear, it is not about to put its own strategy at risk to bail out Time Warner.

For Mr Gerald Levin, chairman of Time Warner, the long and tortuous negotiations with US West could be closer to resolution. Time Warner has impressed Wall Street with its improved performance.

However, to convince the stock market that he has turned around the finances of the media giant, Mr Levin will have to demonstrate that he can cut its debt burden, said Mr Gary Farber, an analyst at NatWest Securities.

Anglo American updates reporting

By Kenneth Gooding,
Mining Correspondent,
in Johannesburg

Anglo American Corporation South Africa, the world's biggest gold producer, has started the mining industry by reporting annual results from the six quoted gold mining companies in its portfolio in accordance with International Accounting Standards.

The move eases comparisons with rivals in Australia and north America, according to analysts, and so could encourage the first takeovers of South African gold miners by foreign companies.

It represents a revolution in the attitudes of the South African gold industry, and analysts said others will follow Anglo's example. The accounts are also presented in US dollars to make international comparisons easy.

Some say the new statistics make South African gold miners look cheap compared with the competition.

For some time South African groups have been presenting "life of mine" estimates of their gold reserves but Anglo is going further and is now reporting reserves according to international standards broadly aligned with the Australian Code of Reporting.

"There is no longer any excuse for gold analysts to avoid making direct comparisons with gold companies outside South Africa because of the difficulties associated with different accounting approaches," said Mr Trevor Steel at the Mercury Gold & General Fund.

He said the new statistics make the price-earnings ratios of the Anglo mines look very low when compared with foreign rivals. "This also makes South African gold shares look extremely good value on measures such as market capitalisation per ounce of reserves."

Mr John Barker, analyst at RBC Dominion Securities, points out that the Anglo mines produce more than 6m troy ounces of gold a year, twice as much as Barrick Gold of Canada, Anglo's biggest non-South African rival. "Yet they have never been considered in the same league. The perception of the South African gold industry as a marginal industry will take time to dissip

COMPANIES AND FINANCE: UK

Standard Life to offer savings and loans

By Jim Kelly

Standard Life, the UK mutual life insurer, is soon to offer savings facilities, personal loans and other banking services in line with a growing trend within the UK insurance sector.

The insurer, whose move follows similar initiatives from Prudential, Friends Provident, and Scottish Widows, plans to make an official announcement in the next 10 days.

In February Standard Life prepared for a strategic move by appointing Mr Jim Spowart, managing director of Direct Line Financial Services, as general manager (banking services).

Mr Spowart had spearheaded the development of Direct Line's mortgages, loans and savings businesses and took immediate responsibility for Standard Life's fledgling deposit-taking facilities, introduced last year.

The decision to go ahead

with a wider range of banking services follows extensive customer analysis by Mr Spowart, now a member of Standard Life's UK senior executive reporting direct to Mr Jim Stretton, chief executive.

The insurance sector is moving into banking services in order to win a wider customer base and to capitalise on the opportunities presented by existing clients.

The insurers are increasingly aware that maturity

money received by policyholders presents a market for a range of banking services. About 250,000 policyholders at Standard Life alone receive about £1bn in maturity money each year - while research shows 70 per cent of that money stays in building society accounts for at least a year.

At the time of its initiative Prudential, the UK's largest life insurer, said it was confident it could capture a "significant portion" of the

money it pays out to policyholders. Prudential offers personal savings accounts as well as mortgages. Scottish Widows - which opened for business as a bank in 1985 - offers a range of liquid savings products.

Friends Provident has launched a deposit account service and focused marketing efforts on policyholders who might otherwise take their maturity money to banks or building societies.

Standard Life's services

will be marketed through independent financial advisers - the same network through which it currently obtains investment and insurance business.

Initially it appears Standard Life will follow Friends Provident in not applying for a banking licence, as it can accept deposits through its links with Bank of Scotland. But it is believed not to have ruled out an eventual application for its own banking licence.

NEWS DIGEST

Offers mount for Unilever arm

International chemical groups such as Akzo Nobel of the Netherlands and DuPont of the US are understood to have joined ICI in making preliminary bids for Unilever's speciality chemicals business.

The Anglo-Dutch consumer products group, which announced in February that it planned to sell its four speciality chemicals subsidiaries, is thought to have received about 50 offers for the division as a whole or parts of it. Industry analysts believe the businesses could together fetch between £250m and £300m.

Lazard Brothers, the merchant bank handling the disposal, is drawing up a shortlist of prospective bidders following last week's deadline for indicative offers. The two-stage auction process is expected to be completed before the end of the summer.

ICI declined to comment on weekend reports that it was contemplating a £40m bid for all four Unilever subsidiaries - which include Dutch-based Quest International, a leading manufacturer of flavourings and fragrances, and National Starch and Chemical of the US. Yesterday, however, offers in the region of £200m were described as below Unilever's expectations.

The Anglo-Dutch company, while refusing to comment on the likely outcome of the disposal, repeated that any proceeds would be reinvested in faster-growing parts of its consumer products portfolio. In total, its four speciality chemicals businesses made operating profits of £415m on sales of £3bn last year.

Tim Burt

Clark's £2.25m from Rentokil

By Tim Burt

Rentokil Initial, the UK-based international business services group created by Rentokil's £2.3bn takeover of BET last year, has paid £2.25m (£3.67m) in compensation to settle a long-running legal dispute with Mr John Clark, the former chief executive of BET.

Mr Clark - who successfully sued Rentokil for unfair dismissal following the hostile takeover battle - last week agreed to accept the offer after Rentokil promised to drop an appeal against a near-£3m compensation package

awarded by the High Court.

Rentokil had initially offered Mr Clark less than £1m, describing it as fair and reasonable, and sacked him after he rejected it.

Mr Clark, who has not worked since losing the BET bid battle, subsequently sued for more than £5m for lost salary, bonuses and share options.

While refusing to comment in detail on the legal settlement, Rentokil yesterday said: "Following last year's judgment awarding Mr Clark £2.85m, we lodged an appeal which was subsequently withdrawn following

a negotiated settlement - whereby Mr Clark received a reduced figure of £2.25m."

The company, which incurred estimated legal costs of £500,000 fighting the case, declined to say whether the payment would be treated as an exceptional charge against this year's profits.

Mr Clark was also unavailable for comment.

At the time of the court case, his lawyers argued that at 55 it would be difficult for him to find a similar chief executive's role.

Nevertheless, he is understood to have turned down at least two chief executive's

posts and is currently considering an offer to become a non-executive chairman of a quoted company.

He is also believed to be examining management buy-out opportunities, possibly using Steamboat Capital, his family venture capital business.

Last year's court case focused attention on executive pay and compensation, particularly as Mr Clark's three-year rolling contract was worth at least £1.3m a year.

Following Rentokil's cash-and-paper bid, he made a £3.4m profit from selling shares.

John Clark: successfully sued Rentokil for unfair dismissal



Trevor Humphries

Screen trade for covered warrants

By Samer Iskandar

The London Stock Exchange is preparing to launch a screen-based market for covered warrants, in an attempt to make trading in them accessible to a wider range of investors.

The electronic system is expected to increase price visibility and improve liquidity by grouping transactions in one marketplace.

"The warrants market in London has significant scope for expansion," the LSE said.

Warrants are long term options giving their holder the right - but not the obligation - to buy or sell underlying securities. Covered warrants are written by a third party, which usually holds the underlying shares and can deliver them to the option holder.

Trading in warrants is currently conducted over-the-counter, mainly between institutions. But under the new proposal, warrants will be listed on SEATS Plus, the stock exchange's electronic system used for less liquid

securities. Designated marketmakers will display prices at which they are willing to buy and sell warrants on SEATS Plus and transactions will take place automatically when orders match existing bids.

The LSE believes a screen-based system will "allow a wider range of investors to obtain more detailed and consistent information from one central source".

The exchange will examine members' comments until May 9 and expects to launch the new service in early June.

• Equity brokerage firms' awareness of the introduction next October of electronic order-driven trading by the LSE has significantly improved in the past year, according to a recent survey.

More than 90 per cent of 150 respondents were aware of the implications of the Stock Exchange Electronic Trading System when the survey was conducted in March, up from 67 per cent a year earlier, said Datatrax/ICV.

A&L shares set to top £5 on debut

By Christopher Brown-Humes

Shares in Alliance & Leicester could open above 55 this morning, in a market debut following the trend in the UK towards demutualisation.

At the end of last week, the financial bookmaker IG Index was predicting an opening price of up to 55p.

That would produce an average windfall of £1.300 (£2.150) for the new bank's 2.2m new shareholders - £300 more than the first estimates last October. All members get a flat rate of 250

shares. Takeover talk has helped to buoy opening price estimates, with market rumours on Friday suggesting several institutions might bid aggressively for shares in auctions being conducted by Cazenove.

In a mark of the wide interest in the flotation Midland Bank is restricting its branch share services on the offer to its own customers.

"We are only offering a service to our own customers on the A&L deal - it's because of its size," it said.

Many analysts believe A&L is an attractive target in the consolidating financial services industry, although the new Building Societies Act gives it strong protection for five years provided it does not bid for another financial institution.

About 600,000 A&L shareholders have decided to sell their shares immediately, making 157m shares, 27 per cent of the total company, available for the three auctions. The first auction, for 52m shares, was held on Friday, and the result will be announced this morning. The other two will be held today and tomorrow after the market closes.

A&L is the first building society to convert to a bank since Abbey National in 1989 and it leads this year's demutualisation wave of five building societies and two life insurers. With a market capitalisation of about pounds 3bn, it will rank as the UK's 70th largest quoted company, available for the three auctions.

The first auction, for 52m shares, was held on Friday, and the result will be announced this morning. The other two will be held today and tomorrow after the market closes.

Analysts say A&L's early share price performance could have a crucial influence on what members of the other converting building societies do with their free shares later in the year.

Flotation could value Royalblue at £40m

By Paul Taylor

Royalblue, a Surrey-based software and computer services group specialising in financial trading systems, corporate call centres and customer help desks, is to seek a full market listing in the next few months.

The flotation, sponsored by Hoare Govett, is likely to value the group, which changed its name from Inter-

com Data Systems last year, at between £35m and £40m and to raise around £5m in new money.

Royalblue was set up in 1981 by Intercommodities, a broker that still holds a stake in the company, to analyse commodities exchange prices and supply them to Prestel.

It was the subject of a management buy-out in 1986 with Si and Advent subse-

quently acquiring 15 per cent and 20 per cent stakes in the group respectively.

However, after the company reported losses in 1992 Mr John Hamer was brought in as chief executive and devised a new strategy focusing on three core products: the Fidessa trading support package, Rostrum computer telephony integration (CTI) software for call

centres and HelpDesk.

Through the flotation Advent, Si and the group's two founders from Intercommodities will sell about 20 per cent of their holdings.

The flotation will also turn Mr Hamer, who holds an 8 per cent equity stake, into a multi-millionaire.

Last year pre-tax profits increased 83 per cent to £2.02m on revenues of £11.7m.

OET to seek £2m

OET Holdings, a supplier of anti-fouling technology for boats and ships, is planning to raise £2m in an offer for subscription. The company is planning to issue a prospectus today for the sale of up to 6.7m ordinary shares. An application will be made to list the shares on OTEX.

The proceeds will primarily fund the production and launch of OET's Hullsonic product, and provide working capital for business expansion, research and development. Hullsonic, which OET is planning to launch in Florida this year, is an anti-fouling system for boats, based on low frequency acoustics and high-frequency electric fields.

Samer Iskandar

EMD to absorb EIL

Emerging Markets Data (EMD), in which MinMet has a 10.6 per cent interest, is to acquire eMIS Infocom Ltd (EIL) for a maximum of £16.5m. EIL is an information and wireless technology software business, operating in the UK and US.

Mr David Elias, chairman of EMD, founded EIL of which he is the chairman and indirectly owns all the shares. He took no part in the decision by EMD's board to proceed with the transaction, said MinMet.

The purchase consideration is to be met by the issue of up to 16.5m shares in EMD to the shareholders of EIL at 10p, subject only to an agreed level of performance. If the acquisition is approved by shareholders, EMD intends to change its name to eMIS Infocom, said MinMet. Assuming full issuance of the consideration shares the vendor will own about 75 per cent of the enlarged EMD.

■ BSG INTERNATIONAL has acquired Contour, a maker of airline seats, for up to £1.75m.

■ CRESTON LAND & ESTATES has paid £2.05m cash to Merchant Investors Assurance Company for the freehold of a 48,000 sq ft retail warehouse in Shirley Road, Southampton currently let to MFI Properties for £184,875 a year, giving a yield of 9 per cent.

PSA PEUGEOT CITROËN 1996 Consolidated Results

The past year saw growth in the European automobile market, but also the spread of an increasingly aggressive price war and its attendant margin pressure. Within this environment, PSA Peugeot Citroën's financial results were modest, albeit sufficient for the Group to report an operating profit for the year, to cover capital expenditure out of working capital provided from operations, to reduce net debt and to increase stockholders' equity.

Results affected by price war

Consolidated net sales rose by 5.1% in 1996, to FF 172.7 billion. Worldwide sales volume increased 7.6%, to 2,006,000 units, led by higher sales in Western Europe and a sharp 15% upturn in exports outside the region. Growth in Western Europe was particularly strong in the utility vehicles segment, where volumes rose 17.7% during the year.

Operating margin amounted to FF 1.7 billion. Despite productivity gains and higher sales volumes, margins contracted, either as planned or in response to EU regulations, and 2) the increase in marketing outlays in the face of competitive pressure.

Pretax income amounted to FF 1.1 billion. Interest expense, including the cost of financing dealer inventory for a set period of time, again declined, to FF 1.17 billion from FF 1.48 billion in 1995. Other nonoperating expense was contained at FF 600 million, versus FF 500 million the year before.

Expenditure on research and development companies rose to FF 1.10 million in 1996, reflecting the sustained reduction in unit costs, without any impact on the Group's ambitious program to develop product lines and upgrade manufacturing and marketing facilities.

At FF 8.8 billion, net debt declined by FF 900 million during the year, primarily on a reduction in working capital requirements.

Consolidated stockholders' equity reached FF 55.5 billion at year-end, or FF 1.07 per share, representing more than six times net debt.

Summary consolidated financial results

FF million	1996	1995
Net sales	172,658	164,243
Operating income	1,675	3,751
Income before income taxes	1,054	2,426
Net income for the year	734	1,003

Cash flows and financial position

FF million	1996	1995
Working capital provided from operations	11,160	12,776
Gross capital expenditure	10,273	11,000
Net capital expenditure	9,854	10,444
Stockholders' equity	55,501	54,630
Net financial debt	8,377	9,823

Faster implementation of strategic objectives

Modernization of the Peugeot and Citroën product lines is being actively pursued. The Citroën Saxo and the restyled Peugeot

COMPANIES AND FINANCE

LVMH shake-up hurts Christian Dior

By Alice Rawsthorn

Christian Dior, the Paris fashion house that recently appointed the flamboyant John Galliano as its chief designer, suffered a decline in net income last year, from FFr4.66bn in 1995 to FFr3.82bn (\$61.9m).

It blamed a reclassification of the assets of LVMH, its parent and France's largest luxury goods group, following the sale of shares in Guinness, the UK drinks group.

At the trading level, Dior mustered a 10 per cent increase in operating income from FFr4.67bn to FFr4.94bn in 1996 on turnover up 5 per cent from FFr3.8bn to FFr3.85bn. The board proposes a 6 per cent increase in the dividend to FFr15.30 a share.

The *haute couture* division, which represents the most exclusive and expensive part of Dior's fashion business, saw sales increase 18.8 per cent to FFr1.22bn in 1996, which was the last year in which Gianfranco Ferré, the Italian designer, was in charge of the collections.

Mr Galliano's arrival is intended to rejuvenate Dior's design style and to raise the profile of the brand name through increased media coverage of the collections. The British designer, who

Popperfoto
LVMH is counting on John Galliano to boost Dior's profits

previously spent a year at Givenchy, another fashion house owned by LVMH, received rave reviews for his first Dior *couture* collection in January.

LVMH has appointed Alexander McQueen, another iconoclastic young British designer, to replace him at Givenchy, and has hired

Marc Jacobs, a US-born designer, as creative director of Louis Vuitton, its luxury luggage company.

The French group hopes these young designers will improve the financial performance of its brands as much as Karl Lagerfeld did at Chanel in the 1980s or Tom Ford at Gucci in the 1990s.

Telekom in talks with Kirch

Deutsche Telekom is optimistic it will soon have an agreement with KirchGroup, the German media company, to carry Kirch's digital pay-television services over Telekom's cable TV network. Mr Ron Sommer, Telekom's chief executive, said talks with Kirch had made

"important progress" and he expected a "positive result" when Telekom negotiates with Kirch and other digital programme providers next month. He stressed that Telekom does not want to produce its own TV programmes, although it would like fewer minority interest channels on cable TV to boost its profitability.

Peter Norman, Bonn

Securum to sell property unit

Securum, the Swedish "bad bank" which is being wound up this year, has set a SKr30 to SKr60 a share price range for the flotation of its property subsidiary Castellum. This values the company at between SKr2.5bn and SKr3bn (\$326m-391m).

Securum, set up five years ago as a repository for sour loans in Sweden's banking crisis, said it was selling a 60 per cent stake, with over-allotment options for a further 10 per cent. Shares in Castellum, one of Sweden's top six real estate groups, with a SKr3bn

property book, will be offered to the Swedish public and to institutional investors in Sweden and abroad. Alfred Berg, Carnegie and Morgan Stanley are joint global co-ordinators. Swedbank is participating in the public offering in Sweden.

Greg McIner, Stockholm

MOL agrees \$500m loan

MOL, the Hungarian oil and gas concern, has agreed a loan of \$500m with a syndicate led by Sumitomo Bank of Japan – the largest private loan ever made to a Hungarian company. The government's decision to sell another 15 per cent of shares in MOL means that Hungary's largest company will shortly be majority private-controlled. MOL intends to use the new loan to pay off long-term borrowing and for modernisation and capital investment.

Anatol Lieven, Budapest

Thai financers 'illiquid'

By Peter Montagnon,
Asia Editor

Problems at Thai finance companies, highlighted by the collapse of Finance One in March, are more related to liquidity than solvency, according to an investigation by IBCA, the bank rating agency.

"Finance companies are largely funded by lumpy short-term funds, whereas the nature of their loans is significantly longer-term. However, loans are generally well secured, and the companies are relatively highly capitalised," it said.

IBCA did not believe that finance companies would be forced into dumping collateral holdings of property, causing price falls and a solvency crisis.

The companies which emerged strongest from its survey were Tisco, which is affiliated to Bankers Trust, National and Dhana Siam, which are both connected to Siam Commercial Bank, and Phatra, which is affiliated to Thai Farmers Bank.

Those that ranked lowest

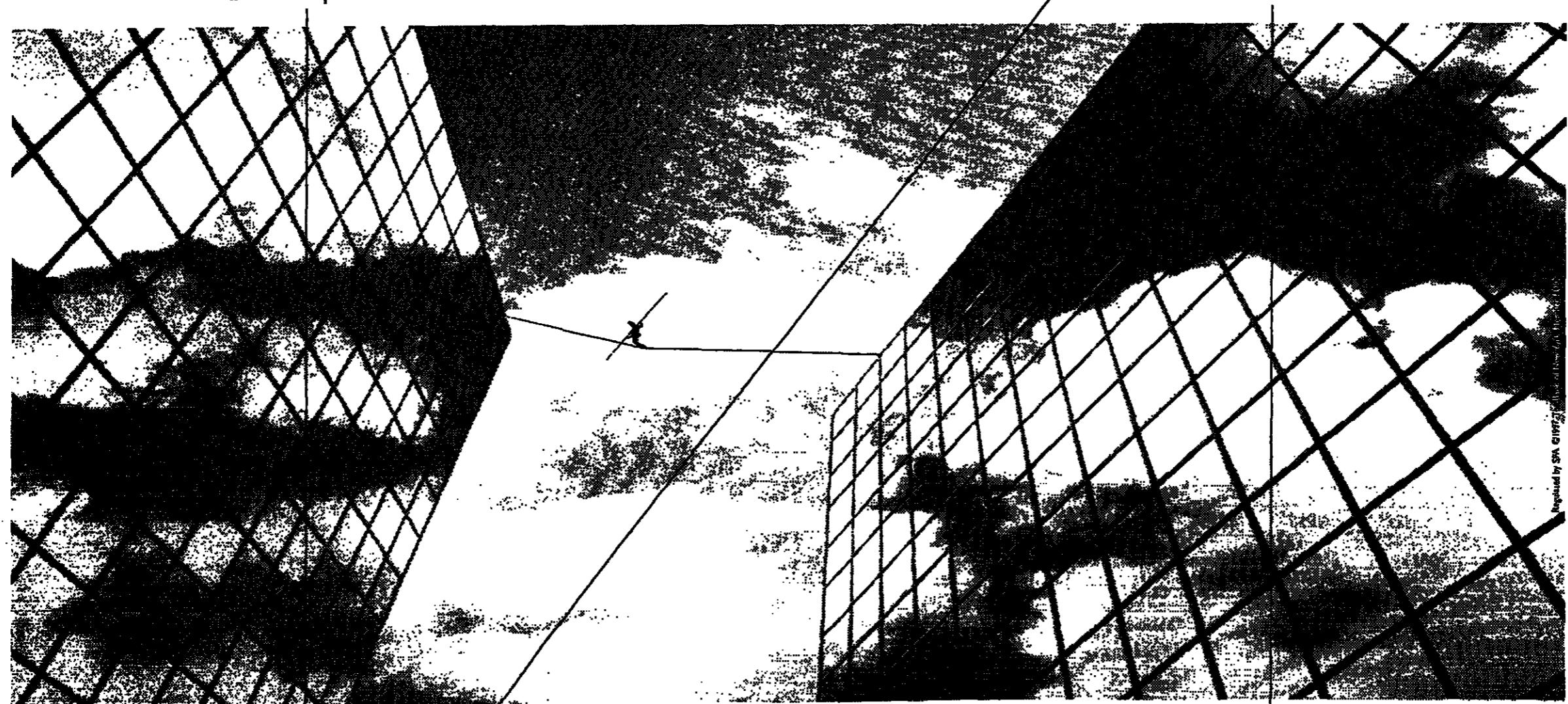
were International Trust and Finance, General Finance, CMIC, Siam City Credit and Wall Street Finance. IBCA expected.

WORLDWIDE TREASURY MANAGEMENT SERVICES

In most businesses,
you get it right or else.

In Funds Transfer,
you don't have
all those options.

including full transaction details. A worldwide network of over 2,000 correspondent banks. And a commitment from senior management that's demonstrated in each of 70,000 transactions, every day, to get it right. The first time. Every time.



Business on a global scale is not without its moments of high suspense. But funds transfers should not be among them. So turn to The Bank of New York for accurate, immediate electronic payments. Real-time information,

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Prices for electricity determined for the purposes of the test period and subsequent arrangements in England and Wales.

Period of Test Period: From Price for Testing

Testing on 22/3/97 to 22/3/97

1/2 hour period ending

Period of Test Period: From Price for Testing

Testing on 27/3/97 to 27/3/97

1/2 hour period ending

Period of Test Period: From Price for Testing

Testing on 28/3/97 to 28/3/97

1/2 hour period ending

Period of Test Period: From Price for Testing

Testing on 29/3/97 to 29/3/97

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Period of Test Period: From Price for Testing

Testing on 30/3/97 to 30/3/97

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Period of Test Period: From Price for Testing

Testing on 31/3/97 to 31/3/97

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Period of Test Period: From Price for Testing

Testing on 1/4/97 to 1/4/97

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Testing on 8/4/97 to 8/4/97

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Testing on 9/4/97 to 9/4/97

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Period of Test Period: From Price for Testing

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Testing on 14/4/97 to 14/4/97

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Period of Test Period: From Price for Testing

Testing on 15/4/97 to 15/4/97

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Period of Test Period: From Price for Testing

Testing on 16/4/97 to 16/4/97

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Period of Test Period: From Price for Testing

Testing on 17/4/97 to 17/4/97

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Period of Test Period: From Price for Testing

Testing on 28/4/97 to 28/4/97

1/2 hour period ending

Period of Test Period: From Price for Testing

Testing on 29/4/97 to 29/4/97

1/2 hour period ending

Period of Test Period: From Price for Testing

INTERNATIONAL DEPOSITORY RECEIPTS
REPRESENTING SHARES PAR VALUE
\$2.50 COMMON STOCK
J.P. MORGAN AND CO INCORPORATED

A cash distribution of \$0.88 per depository share will be payable on or after the 22nd April 1997 upon presentation of coupon no. 108 at:

Morgan Guaranty Trust Company of New York
35 Avenue des Arts
1040 Brussels

Banque Internationale Luxembourg
2 Boulevard Royal
L-2953, Luxembourg

At the designated rate less applicable taxes.

This distribution is in respect of the regular quarterly dividend payable on the common shares P.V. \$2.50 J.P.Morgan & Co. Incorporated on 15th April 1997.

JP Morgan

U.S. \$100,000,000
Lonrho Finance Public Limited Company

(incorporated with limited liability in England and Wales with registered number 176874)

Floating Rate Notes due 1997

Unconditionally and Irrevocably guaranteed by

Lonrho Public Limited Company

(incorporated with limited liability in England and Wales with registered number 20002)

Notice is hereby given that for the three months interest period from April 21, 1997 to July 21, 1997 the Notes will carry an interest rate of 7.03375% per annum. The interest payable on the relevant interest payment date, July 21, 1997 will be U.S. \$179.31 and U.S. \$1,793.14 respectively for Notes in denominations of U.S. \$10,000 and U.S. \$100,000.

By: The Chase Manhattan Bank
London, Agent Bank



April 21, 1997

FIDELITY FRONTIER FUND

Société d'Investissement à Capital Variable
Kansallis House, Place de l'Etoile,
B.P. 2174, L-1021 Luxembourg
R.C. No B 20494

**NOTICE OF EXTRAORDINARY
GENERAL MEETING**

Notice is hereby given that an Extraordinary General Meeting of Shareholders of Fidelity Frontier Fund Sicav (the "Fund") will be held at the registered office of the Fund in Luxembourg on May 2, 1997 at 9:45 a.m. to consider the following agenda:

1. To hear the report of the liquidator.

2. To appoint an auditor to the liquidation.

If you are unable to attend the above Extraordinary General Meeting, you are urged to execute the enclosed proxy and return it to the registered office of the Company prior to the date of the Meeting.



The Management Board of PLIVA d.d. at its meeting held on 18 April 1997 convened a meeting of the

GENERAL ASSEMBLY

of



to be held at 2 pm on 20 June 1997. The registered office of PLIVA d.d. (the "Company") is at Ulica grada Vukovara 49, Zagreb, Croatia.

The meeting of the General Assembly shall take place at Kneza Bome 2 (in the Hotel Sheraton), Zagreb, Croatia.

AGENDA

1. Presentation of the financial reports for the year 1996:

(a) Report of the Management Board;

(b) Report of the Supervisory Board;

2. Distribution of profit (including the dividend to shareholders) for the year 1996.

3. Approval of the activities of the Management Board and the Supervisory Board during the year 1996.

4. Approval of the purchase of the Company's own equity shares.

5. Appointment of the Company's Auditors.

DRAFT RESOLUTIONS TO BE CONSIDERED AT THE MEETING

The Management Board and the Supervisory Board of the Company propose to the General Assembly that Resolutions 1, 2, 3 and 4 be considered. The Supervisory Board of the Company proposes to the General Assembly that Resolution 5 be considered.

Resolution 1

The financial report for the year 1996 presented by the Management Board and Supervisory Board be adopted.

Resolution 2

Of the distributable profit realized in the financial year 1996 in the amount of HRK 503,408,446.53, after tax, a proportion shall be distributed as a dividend to relevant shareholders and the remainder shall be credit to reserves as retained profit.

The dividend to be distributed to relevant shareholders in the amount of HRK 135,000,000 which equals HRK 6.71 per ordinary share of nominal value HRK 100.00 and will be paid to the shareholders on the register on 20 June 1997 in accordance with the Company Articles of Association and regulations. The dividend will be paid on 30 June 1997.

The amount of HRK 368,408,446.53 shall be credited to reserves as a retained profit.

Resolution 3

The activities of the Management Board and the Supervisory Board during the year 1996 are approved.

Resolution 4

That the Company, acting through the Management Board, be and hereby is generally and unconditionally authorized to make one or more market purchases on the London or Zagreb Stock Exchanges of ordinary registered shares in the nominal value of HRK 100.00 each ("Shares") provided that:

(a) the maximum aggregate number of Shares hereby authorized (and on the basis of the authorization given at the Company's General Assembly held on 25 November 1996) to be purchased shall not exceed 5 per cent of the Company's issued share capital;

(b) the minimum price which may be paid for such Shares is the nominal value of the relevant Share (exclusive of taxes, duties and/or expenses) which may be paid for a Share shall not be more than 5 per cent above the average of the market value for a Share as derived from the London or Zagreb Stock Exchange (as appropriate for the relevant purchase) for the ten business days immediately preceding the date on which the Share is purchased;

(d) unless previously renewed, varied or revoked, the authority hereby conferred shall expire at the conclusion of the next annual general meeting of the Company to be held in 1998 or within 12 months from the date of passing this resolution whichever shall be earlier.

(e) The Company may make a contract or contracts to purchase Shares under the authority conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of Shares in pursuance of any such contract or contracts.

Resolution 5

That Coopers & Lybrand d.d. Zagreb and Coopers & Lybrand Cambridge be appointed as joint auditors of the Company from the conclusions of this meeting.

CONDITIONS FOR PARTICIPATION AT THE MEETING OF THE GENERAL ASSEMBLY AND RIGHT TO VOTE

Shareholders of the Company shall be entitled to attend and vote at the General Assembly provided that:

- they deposit their Share Certificates until the end of the meeting of the General Assembly with the Company's Share Office at Prilaz baruna Filipova 25, Zagreb, Croatia, by 10 June 1997 at the latest (the Share Office is open every business day excluding Saturdays from 9 am till 1 pm) or with a public notary and deliver the relevant certificate of the public notary to the Company's Share Office by 10 June 1997 at the latest;

- they lodge their application for participation at the General Assembly with the Company's Share Office by 10 June 1997 at the latest. Forms of application are available from the Company's Share Office or from the offices of PLIVA Limited at Hedges House, 153-155 Regent Street, London W1R 7FD UK.

Holders of Global Depository Receipts (GDRs) will have no voting rights with respect to the Deposited Shares (as defined in the terms and conditions endorsed on each GDR certificate). The Depository (Bankers Trust Company) will exercise any voting rights in respect of the Deposited Shares in accordance with Condition 12 of the GDRs. Shares which have been withdrawn from the depository facility and transferred on the Company's register of members to a person other than the Depository or its nominee may be voted by the holders thereof.

Shareholders are entitled to appoint proxies. Proxies need to be appointed by a valid power of attorney granted by the shareholder or in the case of a corporate shareholder a duly appointed representative in accordance with the provisions of Article 11 of the Articles of Association. Appointments of proxies need to be deposited with the Company's Share Office by 10 June 1997. Forms of proxy are available from the Company's Share Office or from the offices of PLIVA Limited at Hedges House, 153-155 Regent Street, London W1R 7FD UK.

Copies of the reports referred to in item 1 of the Agenda can be obtained either in person or by written request from the Company's Share Office or from the offices of PLIVA Limited at Hedges House, 153-155 Regent Street, London W1R 7FD UK. Copies of the service contracts of the members of the Management Board are available for inspection at PLIVA's registered office during normal business hours on any business day (excluding Saturdays) and will be at the place of the meeting of the General Assembly 15 minutes prior to and during the meeting.

Participants at the General Assembly are invited to report on hour before the meeting to ensure timely registration.

Should the meeting of the General Assembly of 20 June 1997 be postponed due to the lack of the quorum set out by the Articles of Association, the reconvened meeting shall be held at the same place at 2 pm on 27 June 1997.

Subject to the approval of shareholders of a dividend to be paid on the Shares it is expected that the Shares will trade ex dividend on the London Stock Exchange with effect from 10 June 1997.

Zagreb, 18 April 1997
PLIVA d.d.
The Management Board

COMPANIES AND FINANCE

Oil group plans expansion

By Scott Morrison
in Vancouver

PanCanadian Petroleum, one of Canada's largest oil and gas producers, may spend C\$1.5bn (US\$1.1bn) within 12 months to acquire overseas production operations, possibly in the North Sea.

The company said it was looking abroad for acquisitions to increase its production levels by up to 80,000 barrels a day of oil and other fuels.

It has held talks with firms operating in the UK, although it has not yet

identified specific targets.

Mr Mackenzie Kwan, vice-president and chief financial officer of PanCanadian, said: "The UK is a very attractive place to invest and is going to be a core area for us."

PanCanadian, which is 87 per cent owned by Canadian Pacific, has projected earnings of C\$400m this year.

It acquired exploration operations in 22 North Sea blocks for US\$55m last year.

With its partners, Phillips Petroleum and Marathon Oil, it has been awarded

three additional blocks off the Shetland Islands.

Mr Kwan said the company was willing to consider joint ventures with other companies or the outright acquisition of production facilities.

The company has recently opened a London office as a base for expansion in the UK and is also looking at production ventures in North Africa and South America.

PanCanadian has a stock market capitalisation of about C\$7bn. Last year it produced 14.6,000 b/d of crude

oil and liquids and 717m cubic feet a day of natural gas, primarily in Canada.

The company has budgeted to spend an additional C\$1bn on capital investments, mainly in western Canada, in addition to its planned foreign acquisitions.

PanCanadian has also been exploring oil fields in western Newfoundland, which analysts have speculated are similar in size to the North Atlantic Hibernia deposit, estimated to contain 615m barrels of oil.

By Gwen Robinson in Tokyo

recurring profit to Y1.5bn on sales of Y1.05bn, up 22.6 per cent.

The increase was attributed to the success of Takashimaya's new Times Square store, which opened last October, plus streamlining and cost-cutting.

After-tax profit rose 37.9 per cent to Y7.5bn. For the current year, the company expects recurring profit of Y16.5bn on sales of Y1.13bn.

Matsuzakaya, another leading department store operator, also saw earnings surge, with unconsolidated recurring profit in the year to February up 63.9 per cent to Y5.5bn.

The adoption during the year of a common purchasing system for all the company's stores helped profitability, as did the promotion of out-of-store sales.

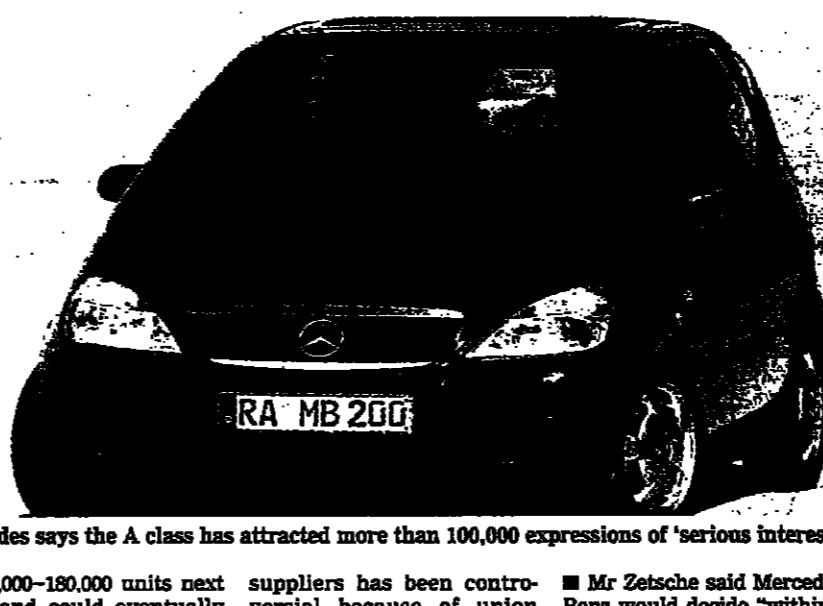
Sales in the year rose 1.7 per cent to Y45.5bn. For the current year, Matsuzakaya expects recurring profit to rise 5.2 per cent to Y5.5bn, on sales of Y44.5bn, up 1.9 per cent.

By contrast, Daiei, Japan's largest supermarket retailer and the only directly operated supermarket chain with complete national coverage, saw unconsolidated recurring profit in the year to February tumble 9.7 per cent to Y551m.

Retail analysts, however, said it was still too early to gauge the impact of the April 1 increase in sales tax, from 3 per cent to 5 per cent, and warned that forecasts of higher sales from leading top-end retailers may be too optimistic.

Takashimaya, Japan's oldest department store operator, reported a 55 per cent increase in unconsolidated

Mercedes sees rush for A class



Mercedes says the A class has attracted more than 100,000 expressions of 'serious interest'.

to 150,000-180,000 units next year, and could eventually exceed the plant's 200,000 unit capacity through extra Saturday shifts.

Among the innovations at the plant is a DM25m "supplier park", to feed parts from 10 of the A class's most important component makers directly to the plant through an overhead conveyor.

The issue of integrating

suppliers has been controversial because of union fears of job losses to lower-paid workers in the components industry through "outsourcing" production. However, Mercedes-Benz secured significant concessions from its Rastatt workforce in return for investment and won further agreements on flexible working practices in return for its commitment to build the A class there.

Mr Zetsche said Mercedes-Benz would decide "within a short time" whether to increase its investment in Ssangyong Motors, the heavily-indebted South Korean group. Ssangyong last month said it was prepared to sell up to 49 per cent of its shares to a foreign partner.

Mercedes-Benz, which supplies technology and has a joint van project with the group, owns 5 per cent.

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MARKETS: This Week

NEW YORK By John Ahearn

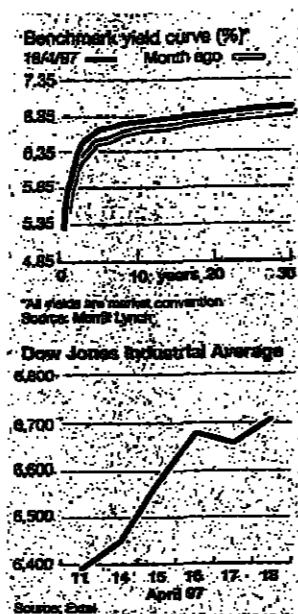
US stock and bond markets have been on a volatile ride for most of the year, with the Dow Jones Industrial Average of blue-chip stocks last week enjoying a 312-point rise. This left the Dow just above 6,700 - well up on the 6,448 at which it began the year, but far below its peak of 7,025 in the second week of March.

Inflation figures suggesting the economy was not overheating as feared had a big influence last week, as did a range of corporate earnings results, such as Microsoft's, that were significantly better than expected.

Inflation news on Tuesday also helped bonds, and the yield on the 30-year Treasury slipped from 7.16 per cent back to below 7 per cent before closing the week at 7.04 per cent.

Last week's data began chipping away at the near-certainty on Wall Street that the Federal Reserve will follow last month's rise in base rates with a further rise next month. But the majority of economists say another rise is inevitable.

This week will provide little fresh information on the issue. None of the economic data is likely to move the market by much. The March Treasury budget is published today. Thursday



will see data on money supply growth and initial claims, and Friday existing home sales for March.

The corporate results season will continue, although at a slower rate. Most large financial and high-technology companies, the main beneficiaries of last year's equity rally, have already reported.

This week, telecoms companies, the larger airlines, insurers and pharmaceutical companies will report.

Just when it felt as if the London equity market was being strangled and starved by a worrying lack of genuine investor business, along comes the Alliance & Leicester flotation to breathe new life into trading.

Today's flotation should bring with it a burst of heavy trading in the banking sector, already by far the market's biggest - and set to increase much more in coming months with flotation for the Northern Rock, Halifax and Woolwich building societies, which will adopt banking status.

That apart, the market's attention will be firmly fixed on the general election, although the political in-fighting has done little to drum up enthusiasm to date. On the contrary, the City, along with most of the population, seems to have become increasingly weary with the electioneering.

The market's concerns about the prospect of rising interest rates, whoever wins the election, and the possibility of increases in corporation tax in the event of a Labour victory, have been voiced for many months and are seen by many as already in the price.

An ongoing worry for the market is the impact of sterling's strength. Two of this week's most important

company results, first-quarter figures from SmithKline Beecham and ICI will demonstrate how much damage to profits the pound's rise has caused.

Bank of Scotland is the other FTSE 100 company reporting this week, on Wednesday. No less than six FTSE 100 companies hold their AGMs. Economic news is thin on the ground. March retail sales are expected on Wednesday, followed by preliminary GDP for the first quarter on Friday.

LONDON By Steve Thompson

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This week, telecoms companies, the larger airlines, insurers and pharmaceutical companies will report.

A mixture of economic data and company results will help draw attention on the German capital markets back to the domestic scene this week after a period of intense concentration on events in the US.

The stock market remained fairly calm last week, though nerves were not entirely absent after the interest rate rise by the US Federal Reserve. The DAX blue-chip index closed at 3,361.20, marginally down on the day but showing a small gain on the week.

As well as progress statements from Siemens, Mannesmann, Continental, and Wells, the book-building process at BHW (the housing finance group) will also test the market's resilience.

BHW's new issue, with the price to be announced in a week's time, will raise more than DM1bn and will be the largest in Germany so far this year. The indicated price range is DM22 to DM28, with analysts divided over the chances of the issue's success.

On the economic front, preliminary price data from the largest west German states should confirm the trend of minimal inflation. M3 is expected to show a further decline when the Bundesbank releases money supply figures for March.

On the political front, the results of the election will be closely watched for political developments given the recent swirl of rumours pointing to an imminent general election.

In some ways though, last week's hot story for the Paris stock market was the confirmation that oil giant Elf Aquitaine planned to buy back 15 per cent of its equity. A number of brokers are convinced that this is a trend that has much further to run.

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Even without major data releases from the US or Japan this week, all eyes will remain fixed on the yen. The US dollar's rate against the yen remains the major talking point of the foreign exchange markets, helped by talk from Japanese officials about potential interest rate rises.

Late last week, Mr Eisuke Sakakibara, the finance minister's official nicknamed "Mr

FRANKFURT By Andrew Fisher

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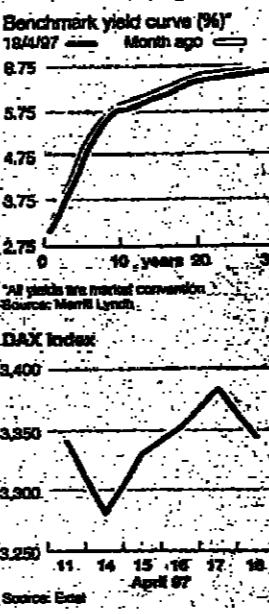
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TOKYO By Carter Rederson

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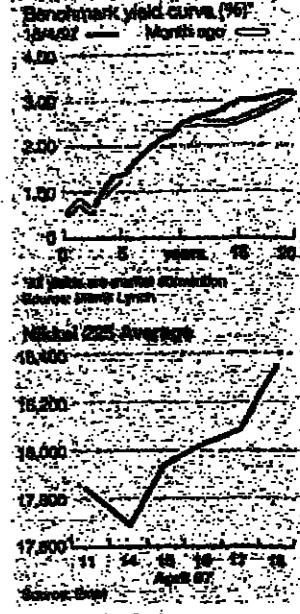
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COMMODITIES By Gary Meek

Russia reviews gold industry

Gold will be dominating the thoughts of Russian finance ministry officials this week, following the statement by Mr Anatoly Chubais, deputy prime minister and finance minister, that he wants a "normal, free, regulated gold market in this country".

Mr Chubais said a working group would report to him on how to achieve this by the end of this week. Such alacrity has surprised some observers, accustomed to a more dilatory pace in Russian mining exploration.

"This has been on the back-burner for most of the 1990s, but when it gets to this political level we have to take it more seriously," said Mr Andy Smith, precious metals analyst at UBS.

"In crude terms, three-quarters of current Russian gold output is alluvial, but three-quarters of total reserves are underground, so there are real opportunities", he added. Reliable figures for Russian gold production are almost as scarce as the metal itself, though in March a central bank official quoted a figure of 122 tonnes for 1996, against 135 tonnes the previous year.

But there are serious challenges. The chief economist of one mining company with experience of trying to extract gold in Russia says: "The politico-regulatory framework in Russia today is unsatisfactory. The problem is identifying who is responsible for giving access.

French investors will be hoping for news of good results after last week's confidence-sapping disappointments from Peugeot and watching for political developments given the recent swirl of rumours pointing to an imminent general election.

In some ways though, last week's hot story for the Paris stock market was the confirmation that oil giant Elf Aquitaine planned to buy back 15 per cent of its equity. A number of brokers are convinced that this is a trend that has much further to run.

Three leading constituents of the CAC 40 index report this week, starting with L'Oréal on Wednesday and moving on to Accor and Bouygues the following day.

Thursday takes in an analysts meeting at Carrefour, which is also a component of the senior bourse index.

The former will be closely scrutinised for news of the electronics giant's restructuring programme at PolyGram. The excitement is generated by rarity value.

These will be the PolyGram's first quarterly earnings. Brokers expect a modest profit gain helped by the release of a new U2 album.

As with France, there could be buy-back news following last week's moves by Sandvik.

Over in neighbouring Oslo, anxious investors will be awaiting today's first-quarter figures from Norsk Hydro.

Analysts say that the fundamentals have never been as good for a rate cut and

the shares are presently trading their February peaks by close on 14 per cent.

Stockholm's Volvo should help keep the European motor sector tickling over, with brokers promising a bumper crop of results when the company reports on Wednesday.

In fact, the results get under way in earnest this week. Astra, Ericsson, Scania, Stora and Svenska Handelsbanken will all be unveiling first-quarter returns.

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Analysts say that the fundamentals have never been as good for a rate cut and

the Bank of Italy can act without creating pressure in the lira. The only remaining question is the precise size of the cut.

The consensus opinion of analysts is for 50 basis points. "But with a reduction of that size, the central bank would just be signalling official rates will not rise, so we may get a tad more," said one.

Shares look increasingly range-bound with just 10 weeks to go to the official handover to China. Volume remained steadily dull on Friday, with no news and events brokers have been provided with time to reflect. One effect of this has been a broad move to underweight positions in red chips.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Neptune Orient Lines (Singapore)	APL (US)	Shipping	\$225m	Global Top 5 move
Samsung Electronics (S Korea)	AST Research (US)	Computers	\$477m	Taking full control
Great Universal Stores (UK)	Direct Marketing Technology (US)	Business services	\$246.2m	GUS renews corporate deal
Investcorp (Bahrain)	Helly Hansen (Norway)	Sportswear	\$112m	High-profile hopes
American Body Armor & Equipment (US)	Defence Systems (UK)	Security	\$32m	DSL changes hands again
Howden (US)	Talieres Sanchez Luengo (Spain)	Industrial equipment	\$16m	Turnover-linked slice
Faywood (UK)	Barque Magnetique de France (France)	Computer services	\$5.9m	Profit-related element
Diplome (UK)	Carbon & Alloy Metals (US)	Special steels	\$5.5m	Taking 80% stake
RPS (UK)	BAK Nederland Beheer (Netherlands)	Environmental engineering	\$4.8m	Three-tranche payment
McQueen (UK)	Rand McNally Media Services (US)	Media services	n/a	Expanding global reach

CURRENCIES By Richard Adams

Even without major data releases from the US or Japan this week, all eyes will remain fixed on the yen. The US dollar's rate against the yen remains the major talking point of the foreign exchange markets, helped by talk from Japanese officials about potential interest rate rises.

Mr Chubais has made similar comments before. Japan's overnight discount rate has remained at the 0.5 per cent set in September 1995, making it the "key" interest rate with the longest lifespan.

Indications of how much longer it might last may come in Friday's consumer price index figures for Tokyo in April. Deutsche Morgan Grenfell estimates that CPI will have risen by 0.5 per cent in the last year, and by 1.4 per cent from March. Although that represents a sharp rise over recent months, it is attributed to the higher consumption taxes at the start of April.

There was speculation last week that Mr Jacques Chirac, the French president, will call early elections. That sent shivers through the French franc, and could continue to do so if unchecked.

The UK's election campaign moves into its final fortnight and a number of economic reports are due this week, including retail sales for March, a Conference of British Industry sur-

vey on Wednesday, and first-quarter GDP figures on Friday.

There could be more talk that Italian interest rates will fall. The discount rate has stood at 6.75 per cent since January, in spite of low inflation.

Today and tomorrow see Italian regional preliminary CPI figures for April, which could slide below 2.0 per cent.

GT DEUTSCHLAND FUND

Société d'Investissement à Capital Variable
2, boulevard Royal, Luxembourg
R.C. Luxembourg B-29923

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an extraordinary General Meeting of shareholders of the above Fund ("the Fund") will be held at the offices of Banque Internationale à Luxembourg, Société Anonyme, 69, route d'Esch, L-1470 Luxembourg, on April 30th, 1997 at 2.00 p.m. to consider and if thought fit, pass the following resolutions:

1. That the Fund be put into liquidation with effect from the date of the passing of this resolution
2. That Banque Internationale à Luxembourg S.A. be appointed as Liquidator of the Fund

The quorum for the meeting is shareholders representing 50% of the shares outstanding in the Fund, whether present in person or by proxy. In order to pass a resolution to liquidate the Fund, shareholders holding shares representing two thirds of the shares represented at the meeting will be required to vote in favour of this resolution.

If the quorum is not reached, a second meeting will be held on

With timely and accurate information,
an experienced custodian helps
you realise Asia's full potential.



Investment in Asia's markets has never been more unpredictable. In fact, the investment environment has only just begun. Many new problems and opportunities are unexpected, unique.

Standard Chartered has been doing business in Asia for over 140 years. And as your Asian custody and clearing partner, Standard Chartered Equitor draws upon this experience right across a wide network of offices to relay up-to-date information

as help you during your business.

Through our principal information managers, based in the United States, Europe or Japan, you are able to get immediate advice on your individual needs and accurate answers to your questions directly from an expert in custody at your time and at your convenience.

Just one of the reasons why Equitor is the essential choice if you want to reap the rewards of Asia's dynamic markets.

Standard Chartered
EQUITOR

MARKETS: This Week

EMERGING MARKETS By Rous Khalaf

Coming to terms with Islam

Mr Adnan al Bahar, head of the four-year old International Investor (TII), a Kuwait-based Islamic investment bank, is often called a dreamer by Gulf bankers.

He travels the world promoting Islamic finance – which follows the Koranic prohibition on dealing in interest – as an \$80bn market, although more widely recognised figures place it around \$50bn, and he predicts it will overtake conventional banking in Moslem countries within 10 years.

But Mr al Bahar's promotional skills have served him well with his sharia board, the group of Islamic scholars who rule on the merit of products and transactions.

The board has recently approved a hedge fund targeted at investors concerned about an overheating of the US equities market.

Some sharia scholars would shun a fund investing in equities (which are likely to be leveraged). Many more will not consider shorting – selling shares they do not own with the hope of buying them later at a lower price.

But Mr al Bahar says Islamic finance can only develop if it moves closer to mainstream banking and repackages conventional instruments in a form acceptable to Moslems.

Islamic finance is expanding. Most banks in the Moslem world, including Saudi Arabia, have been run along conventional lines – they pay and charge interest every day. They say the Koran prohibits usury, not reasonable rates of interest.

But the emergence of companies such as TII and the growth of Islamic commercial banks has forced even conventional banks and foreign institutions operating in Moslem countries to set up their own Islamic units. Among TII's main shareholders are Kuwaiti government bodies such as the public institution for social security and the ministry of justice.

Islamic banks have traditionally invested funds in commodity trading and trade finance, in which they act as middle-men, buying reselling at a mark-up.

The market's reputation has spread largely because it represents a cheap source of finance for western and Japanese trading houses, but its main challenge has been to expand product lines to attract more investors and to diversify to allow it to pay rates comparable with those at conventional banks.

TII, with \$1.2bn under management, has already set up an emerging market fund with Swiss Bank Corporation to invest in equities.

pany whose debt is less than 30 per cent of total funding is worthy of investment.

"A company with no debt is the best alternative," he says. "But if the contaminated part of the business is a minority, it doesn't contaminate the whole – you have to be practical."

To convince his sharia of the soundness of the products he wants to launch, Mr al Bahar argued that a com-

As Islamic scholars differ on the interpretation of the Koran and on what constitutes an acceptable product, banks have been competing on the basis of the leniency of their Islamic councils.

Mr al Bahar says this competition helps to set precedents. Indeed, the 30 per cent leverage level is now deemed to be a reasonable level by many sharia boards. "I have the best sharia board in town," he says proudly.

Colombia prepares coal sale

By Samer Iskandar

The privatisation of Colombia's 50 per cent stake in Cerrejón Zona Norte (CZN), one of the world's largest coal mines, could comprise a public offering of securities, according to bankers working on the sale. The government last week appointed Chase Securities and Salomon Brothers as advisers on the privatisation. The remaining 50 per cent is owned by Exxon.

"A good [privatisation] process is one that allows as many options open for as long as possible," said Mr Jim Griffin, managing director of the global mining group at Chase Securities in New York. "Among the different options, we are considering a public offering on at least one component."

CZN's assets comprise the coal mine, a port on the Guajira Peninsula and a 150km railway linking the two.

The sale of the government's stake could range between \$750m and \$1bn, according to bankers. With an annual production capacity of around 15m tonnes, exported mainly to Europe but also to the US, the mine is among the four largest in the world, with 1996 revenues estimated at between \$330m and \$370m (FOB port value).

"This is the right time for a privatisation," said an analyst in New York. "The government's role in setting up the mine and getting it started is now complete." The railway and port are currently used only to export CZN's exports. But Chase pointed out that potential buyers could extend the railway inland to service nearby mines such as Cerrejón Central and Oreganal. This infrastructure is also expected to benefit from plans to expand CZN's output capacity in the next few years by about 40 per cent to an annual 21m tonnes.

ING BARING SECURITIES EMERGING MARKETS INDICES									
Index	18/04/97	Week on week movement	Month on month movement	Year to date movement	Actual	Percent	Actual	Percent	Actual
World (449)	172.50	-0.15	-0.13	-0.92	-0.80	+8.905	+6.44		
Latin America									
Argentina (22)	114.03	-0.15	-0.13	-0.22	-0.20	+6.40	+5.44		
Bolivia (24)	331.45	-1.10	-0.25	+0.14	+0.04	+70.42	+6.98		
Chile (16)	189.71	-3.44	-1.78	-0.77	-0.41	+27.26	+16.78		
Colombia (13)	237.48	+2.55	+1.08	+16.49	+7.48	+83.78	+38.27		
Mexico (27)	93.47	+0.78	+0.84	+0.84	+0.84	+11.79	+14.44		
Peru (12)	1,251.45	+11.36	+0.92	+7.04	+6.00	+244.24	+24.25		
Venezuela (8)	+61.86	+0.13	+0.21	-1.31	-2.08	-0.50	-0.81		
Europe (119)	171.38	-2.47	-1.42	+0.73	+0.43	+27.62	+19.38		
Latin America (14)	95.51	-2.00	-2.42	-2.00	-2.00	-8.47	-8.12		
Greece (20)	155.57	+1.76	+1.07	+12.15	+7.92	+58.27	+74.43		
Poland (21)	342.01	+0.12	+0.03	-28.59	-7.21	-1.74	-0.51		
Portugal (18)	165.62	+3.64	+2.25	-0.37	-0.22	+19.34	+13.23		
South Africa (30)	143.98	-1.04	-0.72	-2.41	-1.85	+13.80	+10.68		
Turkey (27)	157.29	+1.04	+0.68	-12.19	-7.19	+32.24	+25.79		
Europe (134)	133.85	-0.04	-0.03	-2.18	-1.80	+15.49	+13.09		
Asia									
China (27)	58.87	+1.59	+2.77	+2.99	+6.35	+2.35	+4.22		
India (30)	144.55	-0.35	-0.04	-0.24	-0.44	-8.85	-6.51		
Korea (27)	81.77	-0.09	-0.21	+0.05	+0.24	+2.05	+4.06		
Malaysia (24)	242.08	-8.29	-3.31	-31.05	-11.37	-38.34	-13.67		
Philippines (16)	65.55	-2.32	-3.42	-3.21	-4.67	-7.03	+12.14		
Taiwan (31)	269.93	-2.91	-0.98	-26.70	-8.43	-23.86	-7.60		
Thailand (29)	199.57	-7.86	-3.79	-12.00	-5.67	+14.13	+7.62		
Aste (193)	137.47	-0.23	+0.17	+8.71	+5.13	+17.67	+11.39		
All indices in \$ terms. January 7th 1992=100. Source: ING Baring Securities.	207.81	-4.69	-2.21	-11.88	-5.41	-8.75	-4.48		

All indices in \$ terms. January 7th 1992=100. Source: ING Baring Securities.

INTERNATIONAL BONDS By Gwen Robinson

Withholding tax casts cloud over JGBs

The Japanese government bond market has been booming, in spite of attempts by financial authorities to dampen investors' exuberance. But regardless of their starring role in one of the world's largest fixed-income markets, JGBs draw little enthusiasm from foreign investors – and they are likely to arouse even less interest following the implementation of another reform – particularly New York, where there is no time overlap. Many international buyers run night trading desks, but few run night settlement desks. A confirmation mismatch can add 24 hours to the settlement cycle and clients who settle through global custodian accounts risk further delay.

From today, the settlement cycle for JGB transactions will be shortened to three business days from the current seven. The move reflects steady improvement from the arbitrary settlement date calendar in use until late last year. In a two-step transition, the settlement basis was switched last September to seven business days, streamlining a hitherto onerous process and prompting companies to revamp their back offices to prepare for eventual conversion to the three-day cycle.

While applauding the sentiment behind the shift, some analysts warn of a glaring omission in the government's market modernisation efforts. The root of the problem is Japan's arcane withholding tax system, which technically applies to off-shore as well as domestic investors. Japan is the only leading market to apply withholding tax to the issue of JGBs ("name registration forms (NRFs)", the modern equivalent of warehouse receipts). The form is simply a memo to the central bank from a JGB holder, requesting a change of registration of ownership. Commonly among off-shore investors, these forms are physically delivered to local custodians and held without effecting registration. The bond remains legally registered to the issuer of the NRF.

Without withholding tax reform, shorter JGB settlement will only increase credit risk for foreign investors, driving them further from JGBs and perpetuating the backwardness of Japan's fixed-income markets.

Mr William Campbell, senior analyst at JP Morgan Securities in Tokyo, says the situation is further complicated if the off-shore investor (counterparty A) then sells the JGB to another non-resident, (counterparty B).

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FT GUIDE TO THE WEEK

MONDAY 21

Migrant worker guidelines

Governments, employers and trade unions meet at the International Labour Organisation in Geneva (to April 25) to discuss ways of protecting the world's 42m-plus migrant workers. An ILO report says countries are increasingly looking to temporary rather than permanent immigrants as a source of cheap, unskilled labour. These workers are vulnerable to low pay, poor working conditions and exploitation by private recruitment agencies. The meeting aims to produce guidelines for governments on improving worker protection and tackling abuses.

Olive oil proposals

EU farm ministers gather in Luxembourg for a two-day meeting which will be dominated by arguments over reform of the EU's olive oil sector and efforts to reduce beef production. Mr Franz Fischler, European Commissioner for agriculture, will come under pressure from olive oil-producing states to modify proposals to reform the way olive oil producers are paid compensation. The changes are aimed at stamping out corruption in a sector where several fraud cases have come to light. Mr Fischler will also present ministers with an assessment of how effectively the EU is reducing beef production by slaughtering calves.

'Pioneering' reforms

The United Nations Economic Commission for Europe in Geneva celebrates its 50th birthday with a ministerial meeting (to April 24) and adoption of "pioneering" reforms in its structure and work programme. The ECE, a rare platform for dialogue between eastern and western Europe during the Cold War, is stepping up its co-operation activities and strengthening the involvement of the private sector.

FT Survey
Queen's Awards to Industry (UK only).

Public holidays
Brazil, Puerto Rico.

TUESDAY 22

China in border deal

Jiang Zemin, Chinese president, visits Russia to bolster bilateral ties. He is expected to sign a border forces reduction accord with presidents of Russia and the Central Asian states of Tajikistan, Kazakhstan and Kyrgyzstan. The accord is believed to set the maximum number of troops to be deployed within 100km of the border. Mr Jiang is also to meet his Russian counterpart Mr Boris Yeltsin



The Tsing Ma suspension bridge is the showpiece of Hong Kong's 34km link to its new airport on Lantau Island, due to open on Sunday

to discuss bilateral political and economic co-operation. In 1996, China became Russia's fifth largest trade partner after Ukraine, Germany, the US and Belarus. This year's bilateral trade is predicted to pass US\$7bn.

Japan nuclear inquiry

Executives of Japan's Power Reactor and Nuclear Fuel Development Corporation, known as Doen, will appear before the upper house of Japanese parliament for questioning over mismanagement and cover-ups of a string of nuclear accidents, the most recent of which occurred last week when radioactive tritium leaked from a plant.

Public holidays
Israel, Sri Lanka.

WEDNESDAY 23

IMF/World Bank meetings

The spring meetings of the International Monetary Fund and the World Bank begin in Washington, with the publication of the IMF's World Economic Outlook. The two institutions' joint debt relief initiative for the world's poorest countries, announced last September, is likely to be the main focus of discussions, which continue to next Tuesday.

EU growth forecast

The European Commission unveils its latest growth forecasts for 1997, expected to shed light on which countries are on track to meet the agenda. The two countries are

entry criteria for monetary union. It will publish a blacklist of countries running excessive budget deficits; macro-economic guidelines for the EU; and a separate paper on the euro's role in the world economy which discusses how a single currency bloc might be represented in the Group of Seven industrialised nations' forum.

Seoul gets into gear

The Seoul Motor Show opens for the press, followed by eight days for the general public until May 1. South Korea's biennial motor show provides a shop window for the country's fast-expanding motor industry. It is also being targeted by foreign carmakers keen to expand sales to the country's increasingly affluent and outward-looking consumers.

Public holidays
Belarus, Turkey.

THURSDAY 24

Hashimoto in US talks

Mr Ryutaro Hashimoto, Japanese premier, leaves for the US for talks with Mr Bill Clinton, US president. Unlike previous US-Japan summits, security issues are likely to lead the agenda. The two countries are

conducting a joint review of bilateral security co-operation and Washington has pressed Japan to take a more active military role in supporting US forces in the event of conflict in Asia. The two leaders are also likely to discuss economic issues including the dollar's continuing strength against the yen and US concerns about a further increase in Japan's politically sensitive trade surplus with the US.

Trafficking in women

International trafficking in women occupies European ministers of equality, justice and home affairs for three days in The Hague. A conference organised by the Dutch EU presidency aims to draw up a code of conduct to combat the trade, under which some 500,000 women, mainly from eastern Europe, are estimated to have arrived in the EU in 1995. Countries from that region aspiring to EU membership will be present as observers at the meeting to be addressed among others by Mr Manuel Gradiñ, judicial affairs commissioner.

Saleroom

Perhaps the finest collection of Welsh furniture in private hands comes under the hammer at Christie's in London. The Parry Collection is expected to raise more than £1m. The collection concentrates on walnut and oak furniture, including 10 oak dressers, one of which is estimated to sell for up to £18,000.

ECONOMIC DIARY

Statistics to be released this week

Day	Released	Economic	Day	Released	Economic	Median	Previous	Day	Released	Economic	Median	Previous	
	Country	Statistic		Country	Statistic	Forecast	Actual		Country	Statistic	Forecast	Actual	
Mon	Singapore	Mar trade balance		UK	Mar ex-EU visible trade	-\$800m	-\$54m		US	M1-week ended 14 April	\$1.5bn	\$1.22bn	
April 21	Japan	Feb coincident index		US	M1-week ended 14 April	90%	94.4%		US	M2-week ended 14 April	\$4.5bn	\$4bn	
	Japan	Feb leading differential index		US	M3-week ended 14 April	0.9%	1.4%		US	Q1 gross domestic product final*	\$8bn	\$8.9bn	
	Canada	Feb wholesale trade*		Neth	Q1 gross domestic product final*	2.8%	2.9%		Neth	Q1 gross domestic product final*	2.8%	2.9%	
	US	Mar treasury budget*		Fri	Apr CPI (Tokyo)*	-0.1%	0.0%		Japan	Apr CPI (Tokyo)*	0.1%	0.1%	
	Spain	Feb industrial production, not**		April 25	Japan	Apr CPI, ex-perishables*	0.1%	0.1%		Japan	Mar CPI (nation)*	0.6%	0.6%
	Spain	Feb industrial production, not**			Japan	Mar CPI, ex-perishables*	0.4%	0.4%		France	Mar CPI final*	0.1%	0.1%
	Canada	Mar CPI, all items, not**			France	Mar CPI final*	1.1%	1.1%		UK	Q1 gross domestic product prelim**	0.8%	0.8%
Tue	Canada	Mar CPI, all items, not**			UK	Q1 gross domestic product prelim**	2.9%	2.9%		UK	Q1 gross domestic product prelim**	4.1m	4.26m
April 22	Canada	Mar CPI, all items, not**			US	Mar existing home sales	4.1m	4.26m		US	Apr Michigan sentiment**	100	100
	Canada	Mar CPI, ex-food/energy, not**				US	Apr Michigan sentiment**	100	100				
	Canada	Feb retail sales*											
	US	BOT-Mitsubishi 19 April											
	US	Mar export price index											
	US	Mar import price index											
	US	Redbook 19 April											
Wed	France	Jan current account											
April 23	UK	Mar retail sales*											
	UK	Mar retail sales*											
	UK	Apr CBI industrial trends											
	Canada	Feb int'l CS securities transactions											
	Canada	Mar leading indicators*											
	Thur	Taiwan	Mar unemployment rate										
	April 24	France	Feb industrial production*										
	France	Feb industrial production, ex-energy*											
	UK	Feb global visible trade											

*month on month; **year on year; **on a gdp, seasonally adjusted

MONDAY PRIZE CROSSWORD

No.9,354 Set by DANTE

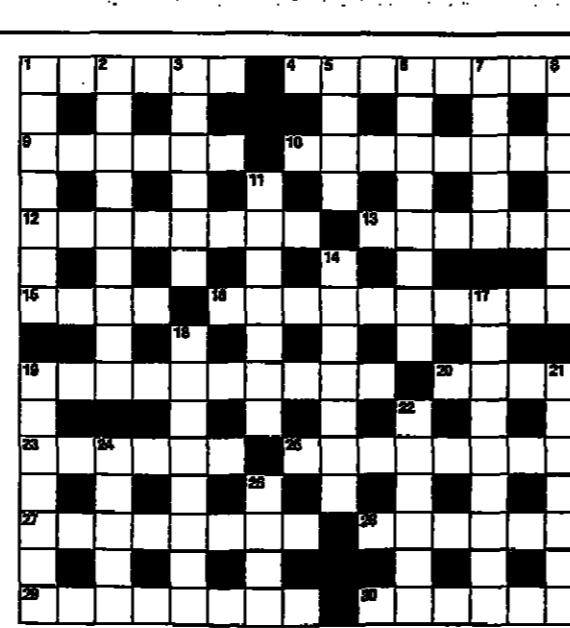
Six bottles of Davy's Celebration Champagne for the first correct solution opened and three runner-up prizes of £40 Davy's food and wine vouchers redeemable in person or by post. These prizes are available only to winners living in England, Scotland and Wales. Winners with overseas addresses will receive a set of silver-plated place name bases and cards. Solutions by Thursday May 1, marked Monday Crossword 9,354 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9EL. Solution on Monday May 5. Please allow 28 days for delivery of prizes.

Name _____
Address _____

Solution 9,342

SCREACH TEASPOON
SYNTHETIC VIO
THEORY FILAMENT
RELIEF BRI
AMASSING STATIC
YESTERDAY
SOHO DESIGNATED
EERLICHE
DISHABILITE BRAT
MURKIN
SHRINK BOHEMIAN
DE GOURN
ARABIAN SALAMI
IL RUM TTE
NAMELESS VENGER

1 Cartoon character it's fashionable to watch (6)
4 Easily defeat though not in form (5)
9 Recollect nasty times in early life (6)
10 Force the company to take Eric on in debt (8)
12 Troops stepped out in these formations (8)
13 Intended taking note out of funds (6)
15 Fence the track (4)
16 The shooting season (10)
19 Sort of fight nobody would pay to see? (4-3-3)
20 Work one side of the stage with American (4)
23 A problem for the bridge-builder to emphasise (6)
25 Fish of a stringy variety (8)
27 Find out about unusual sort of rays (8)
28 Describing Hamlet and his state (8)
29 Weather is important in teaching chemistry (8)
30 How one danced when not quite sober? (6)



WINNERS 9,342: Mark J. Hughes, Esher, Surrey; B.J. Dinsbury, Barton, Nottingham; Harry Hollingsworth, Hitchin, Hertfordshire; Robert Mitchell, Cardiff

Top of the tables

The 4th biennial world table tennis championship starts at Manchester's G-Mex Centre. Some 114 nations and more than 1,600 competitors will be taking part. China swept the board at the last world championships in Tianjin, but will struggle to win all seven individual and team events this time.

Golf
Spanish Open Golf Championship, Club de Campo, Madrid.

FT Surveys
Pharmaceuticals, Global Fund Management.

Public holidays
Armenia, Iceland, Niger.

FRIDAY 25

Hambo loans hearing

Mr Kim Hyun-chul, son of the South Korean president, is due to testify before a parliamentary committee investigating a loans scandal involving the collapsed Hambo steel group. The opposition accuses Mr Kim of pressuring banks and other financial institutions to lend nearly \$6bn to Hambo before it declared bankruptcy in January. The day-long questioning of Mr Kim is considered crucial in determining whether his father's administration can survive one of the country's biggest corruption scandals.

FT Survey

Business Parks.

Public holidays

Australia, Cook Islands, Denmark, Egypt, Ethiopia, Italy, Macau, New Zealand, Portugal, Swaziland, Tonga, Western Samoa.

WEEKEND 26/27

Lantau Link opens

Hong Kong's Lantau Link, a huge infrastructure project which includes one of the world's biggest suspension bridges, is scheduled to open on Sunday if contractors can quickly repair the damage inflicted by saboteurs on April 18th. Baroness Thatcher and Mr Chris Patten, Hong Kong governor, are set to officiate at the ceremony. The 34km transport link

between Hong Kong and its new airport on Lantau Island features the showpiece Tsing Ma suspension bridge, a US\$800m project which will carry road and rail transport. Principal contractors came from an Anglo-Japanese consortium, including engineering and construction groups acquired by Kvaerner of Norway when it bought Trafalgar House last year. Cables along the emergency tunnel under the road level of the two-tier bridge were cut in 32 places by saboteurs.

G7 to focus on currencies
The finance ministers of the Group of Seven countries (minus Britain's Kenneth Clarke, who will be campaigning in the final week of the British election) meet in Washington on Sunday to discuss the international economy. The sharp rise of the US dollar against the yen and continental European currencies is again likely to be the main subject for discussion.

Italian local elections
Nine-and-a-half million Italians are due to vote on Sunday in the first round of regional elections, to be followed by a second round on May 11. These local elections are seen as an important test for the country's main political parties, coming at a time when the "Olive Tree" centre-left administration of Mr Romano Prodi, the prime minister, is under pressure both from within its own coalition parties and from the right-wing opposition coalition. Although Mr Prodi survived a recent government crisis over Italy's involvement in Albania, political tensions have continued to simmer.

Motor racing
San Marino Grand Prix (Sunday).

Judo
Japan National Women's Judo Tournament to be held in Tokyo. The annual competition spotlights upcoming judo stars with Olympic potential (Sunday).

FT Survey
Quarterly Review of Personal Finance (UK only).

Public holidays
Afghanistan (Saturday), Tanzania (Saturday).

Compiled by Bob Vincent.
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MORSE

Computers are human too.